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Conseil du développement industriel

Neuvième session
Vienne, 18-22 mai 1992

Point 3 de l'ordre du jour provisoire

ORDRE DU JOUR PROVISOIRE

1. Ouverture de la neuvième session.
2. Election du bureau.
3. Adoption de l'ordre du jour de la neuvième session.
4. Politiques de l'ONUDI, y compris en matière d'énergie.
5. Rapport annuel du Directeur général pour 1991 sur les activités de l'Organisation.
6. Activités de coopération technique de l'ONUDI en 1991.
7. Coopération économique entre pays en développement.
8. Système de consultations.
9. Mise au point et transfert des techniques.
10. Promotion des investissements industriels.
11. Programme des directeurs de l'ONUDI par pays.
12. Situation financière de l'ONUDI.
13. Conduite des débats et rationalisation des travaux.
14. Programme de traitement électronique de l'information.
15. Lieu de la cinquième session de la Conférence générale.
16. Structure de l'industrialisation mondiale considérée dans une perspective à long terme*.
17. Nomination de directeurs généraux adjoints*.
18. Ordre du jour provisoire et date de la dixième session.
19. Adoption du rapport de la neuvième session.
20. Clôture de la neuvième session.

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* Questions supplémentaires dont l'inscription à l'ordre du jour provisoire est proposée par le Directeur général conformément à l'article 12 du règlement intérieur du Conseil. Pour les notes explicatives correspondantes, voir l'ordre du jour provisoire annoté (IDB.9/1/Add.1).

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Industrial Development Board

Ninth session
Vienna, 18-22 May 1992
Agenda item 3

AGENDA

1. Opening of the ninth session.
2. Election of officers.
3. Adoption of the agenda for the ninth session.
4. UNIDO policies, UNIDO energy programme.
5. Annual report of the Director-General for 1991 on the activities of the Organization.
6. UNIDO technical cooperation activities in 1991.
7. Economic cooperation among developing countries.
8. System of Consultations.
9. Development and transfer of technology.
10. Industrial investment promotion.
11. UNIDO Country Director programme.
12. Financial situation of UNIDO.
13. Conduct of business and rationalization of proceedings.
14. Electronic data-processing programme.
15. Venue of the fifth session of the General Conference.
16. Structure of world industrialization from the long-term perspective.
17. Appointment of Deputy Directors-General.
18. Information on one intergovernmental organization wishing to enter into agreement with UNIDO.
19. Provisional agenda and date of the tenth session.
20. Adoption of the report of the ninth session.
21. Closure of the ninth session.

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Industrial Development Board

Ninth session
Vienna, 18-22 May 1992
Item 3 of the provisional agenda

ANNOTATED PROVISIONAL AGENDA

Item 1. Opening of the ninth session

The ninth session of the Board will be opened by the President of the eighth session, Mr. A. Tofigh (Islamic Republic of Iran).

Item 2. Election of officers

In accordance with rule 23.1 of the rules of procedure, each year, at the commencement of its first regular session, the Board shall elect from among the representatives of its members a President, three Vice-Presidents and a Rapporteur. Rule 23.3 also stipulates that the offices of the President, the three Vice-Presidents and the Rapporteur shall be subject to equitable geographical rotation within a five-year cycle described in appendix A to the rules of procedure. Accordingly, for the ninth session, the President should be elected from members of the Board in list D of Annex I to the Constitution, and the three Vice-Presidents should be elected from members of the Board from list C, from the African States in list A and from list B respectively. The office of the Rapporteur should be occupied by a representative of a member elected among the Asian States plus Yugoslavia in list A.

Item 3. Adoption of the agenda for the ninth session

A provisional agenda for the ninth session was adopted by the Board at its fourth special session (IDB/S.4/Dec.1). In accordance with rule 12, two supplementary items are being proposed, namely items 16 and 17 (see IDB.9/1). Supporting statements for the inclusion of the two supplementary items are provided in the present document under the respective items. The provisional agenda with the proposed supplementary items is submitted to the Board for adoption in document IDB.9/1.

Item 4. UNIDO policies, including energy

UNIDO policies are described in chapter I of the Annual Report of UNIDO, 1991 (see item 5 below).

The Board at its eighth session, having considered a proposed energy programme (IDB.8/9), requested the Director-General to submit for approval to the Board at its ninth session, upon consultation with Member States, a new energy programme formulated within the mandate of UNIDO and taking into account the needs of developing countries as expressed in paragraph (d) of decision IDB.8/Dec.12.

The Board will have before it:

- UNIDO policies (IDB.9/10, chap. I)

- UNIDO energy programme. Revised proposal by the Director-General (IDB.9/9)

Item 5. Annual report of the Director-General for 1991 on the activities of the Organization

In accordance with Article 11.6 of the Constitution, the Director-General is to prepare an annual report on the activities of the Organization. In its resolution GC.4/Res.2, the General Conference at its fourth session requested the Director-General to fully incorporate in future annual reports the programme performance report according to Board decision IDB.7/Dec.11, and to continue including therein the tabular presentation of significant performance indicators and the comparison of outputs implemented against outputs planned for the period covered by the annual report, as shown in document GC.4/35.

Both the Board in its decision IDB.8/Dec.7 and the General Conference in its decision GC.4/Dec.12 have addressed a number of requests to the Director-General related to the implementation of the Special Programme for the Industrial Development of Asia and the Pacific, including the submission of a progress report on the subject to the Board at its ninth session. The General Conference also requested the Director-General to report to the Board at its ninth session on the progress made in the implementation of its resolution GC.4/Res.7 concerning technical assistance to the Palestinian people. While both the Special Programme for Asia and the Pacific and technical assistance to the Palestinian people will be the subject of specific agenda items at the eleventh session of the Board, in order to comply with the requests of the General Conference, the Director-General will submit brief progress reports on those two subjects to the current session of the Board.

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The Board will have before it:

- Annual Report of UNIDO, 1991 (IDB.9/10)
- Annual Report of UNIDO, 1991. Addendum: Technical assistance to the Palestinian people (IDB.9/10/Add.1)
- Annual Report of UNIDO, 1991. Addendum: Special Programme for the Industrial Development of Asia and the Pacific (IDB.9/10/Add.2)
- List of resolutions and decisions of the United Nations General Assembly, the Economic and Social Council and the Governing Council of the United Nations Development Programme of relevance to UNIDO (conference room paper)

Article 9.4 (d) of the Constitution stipulates that the Board shall request Members to furnish information on their activities related to the work of the Organization. In decision IDB.1/Dec.29, Member States were requested to inform the Board on their activities related to the work of the Organization when reviewing the annual report on the activities of the Organization. Member States may wish to include this information in the oral statements delivered by their representatives under this item. Such statements would be reflected in the summary records of the Board.

Item 6. UNIDO technical cooperation activities in 1991

By decision IDB.7/Dec.11, the Board at its seventh session requested the Director-General to present an annual report on technical cooperation activities of UNIDO, containing a clear delineation of the budgetary phases of the execution of the technical cooperation projects within a clear and detailed execution frame. At its fourth session, the General Conference in resolution GC.4/Res.3 requested the Director-General (a) to present a report on the possible measures and actions that can be undertaken by UNIDO to assist developing countries in strengthening their capabilities for national execution of technical cooperation projects; (b) to expand his report on the ratio of expert component costs to other component costs contained in chapter III of document IDB.8/16 presenting measures to ensure that the quantitative and qualitative relationship between different components is in line with the specific needs of developing countries; and (c) to present to the Board a clear and precise definition of the concept of technical cooperation in terms of UNIDO operational activites.

The Conference, in its decision GC.4/Dec.11, also requested the Director-General to ensure that in future programming and appraisal activities greater consideration be given to the relevance, cost effectiveness and sustainability of UNIDO projects as defined in the annex to document GC.4/28 and that appraisal advice should be sought from the project concept stage onwards to the extent possible.

The Director-General was also requested to submit a report on the implementation of those measures to the General Conference at its fifth session, through the Board at its ninth session.

The Board will have before it the following documents:

- Annual Report of UNIDO, 1991 (IDB.9/10)
- UNIDO technical cooperation activities in 1991. Report by the Director-General (IDB.9/3)
- List of technical cooperation projects approved and/or operational in 1991 (conference room paper)

Item 7. Economic cooperation among developing countries

The Board at its eighth session, in decision IDB.8/Dec.5, requested the Director-General to take a number of actions aimed at strengthening economic and technical cooperation among developing countries (ECDC/TCDC) and submit a report to the Board at its ninth session together with a report on the implementation of the Buenos Aires Plan of Action.

The Board will have before it the following document:

- Economic and technical cooperation among developing countries. Report by the Director-General (IDB.9/11)

Item 8. System of Consultations

The "Principles, objectives and characteristics" of The System of Consultations (PI/84) stipulate (a) that the Board shall consider the reports of the Consultation meetings and the conclusions and recommendations contained therein, as well as decide and provide guidance on appropriate follow-up action; and (b) that the Board shall decide every two years on the programme of Consultations for the following biennium (ibid., paras. 8 and 20).

Concerning the follow-up of Consultations, the General Conference in its resolution GC.3/Res.2 requested the Director-General to present to the Board the conclusions and recommendations of each Consultation for their examination and approval as well as guidance, as appropriate, on a plan for the technical cooperation follow-up activities carried out by UNIDO.

The Board in its decision IDB.6/Dec.5 decided to postpone consideration of possible topics for the 1994-1995 Consultations until the ninth session of the Board while asking the Director-General to consult regional groups as to their priorities regarding the choice of subjects for Consultations in their respective regions.

At its eighth session, in decision IDB.8/Dec.33, the Board, recalling General Conference resolution GC.3/Res.2 on the evaluation of the System of Consultations, particularly paragraphs (5), (6), (7) and (9), requested the Director-General to improve the actions called for in that resolution and to report on the progress made in the implementation of those actions to the Board at its ninth session. It also requested the Director-General to examine the possibility of combining single Consultations with investment promotion meetings and of increasing participation of industrial partners in Consultations, and to report on both issues to the Board at its ninth session.

Furthermore, in its resolution GC.4/Res.16 on the evaluation activities of UNIDO, the General Conference requested the Director-General: to ensure the full implementation of in-depth evaluation recommendations within two years of the completion of an evaluation, and to report on the actions taken thereon; to present, in the framework of in-depth evaluations, UNIDO's action to ensure that its activities have an effective impact on the industrial development of developing countries; and to assess the implementation and impact of the recommendations of the evaluation on the System of Consultations and report on those assessments to the Conference at its fifth session through the Board at its ninth session.

The Board will have before it:

- Annual Report of UNIDO, 1991 (IDB.9/10, chap. III, paras. 1-13)
- Report on the Fourth Consultation on the Capital Goods Industry with Emphasis on Machine Tools (ID/378)
- Report on the Second Consultation on the Building Materials Industry (ID/380)
- Report on the Regional Consultation on the Fisheries Industry for Asia and the Pacific Island Countries (ID/379)
- Consultations held in 1991 and plan for technical cooperation follow-up activities. Report by the Director-General (IDB.9/2)
- Measures to enhance the System of Consultations. Report by the Director-General (IDB.9/14)
- Programme of Consultations for the biennium 1994-1995. Proposals by the Director-General (IDB.9/15)

Item 9. Development and transfer of technology

At its eighth session, the Board in its decision IDB.8/Dec.10 requested the Director-General to continue to implement and enhance the programme contained in document IDB.3/26, to take a number of additional actions and to report to the Board at its ninth session on progress made in that respect.

The Board will have before it:

- Development and transfer of technology. Report by the Director-General (IDB.9/6)

Item 10. Industrial investment promotion

At its eighth session, the Board in its decision IDB.8/Dec.13 addressed a number of requests to the Director-General including the submission of a report on their implementation to the Board at its ninth session. Included in those requests were: the study referred to in Conference resolution GC.3/Res.19 (and subsequently reiterated in resolution GC.4/Res.17, para. 3(i)) on the possibilities and different modalities for fostering regional investment promotion activities; and the response and follow-up to the in-depth evaluation of the industrial investment promotion activities of UNIDO (also reiterated by the Conference in resolution GC.4/Res.17, para. 3 (g)).

The Board will have before it:

- Industrial investment promotion. Report by the Director-General (IDB.9/7)

Item 11. UNIDO Country Director programme

At its eighth session, in its decision IDB.8/Dec.14, the Board, having considered that the successor arrangements for sectoral support might affect the financing of UCDs from the UNIDO operational budget, requested the Director-General to pursue his consultations with the Administrator of UNDP on the system of sharing financing of the UCD programme, so that the target of 50 posts could be reached in the near future, and to keep Member States informed of the progress of the implementation of the programme.

Subsequently, at its fourth session, the General Conference in resolution GC.4/Res.4 requested the Director-General: (a) to prepare a study on the modalities of setting up a close working relationship among the UCDs of the same subregion in order to strengthen the role of the UCDs; (b) to increase the number of UCDs in order to reach the target set in Board decision IDB.8/Dec.14; (c) to report on the possibilities of strengthening the country focus, while strengthening the advisory role of UCDs in project planning, development and evaluation; and (d) to report to the Board at its ninth session on the implementation of Board decision IDB.8/Dec.14 and the conference resolution.

The Board will have before it:

- UNIDO Country Director programme. Report by the Director-General (IDB.9/8)

Item 12. Financial situation of UNIDO

The Director-General will provide the Board with the latest report on the financial situation of UNIDO. In compliance with General Conference resolution GC.4/Res.27, paragraph 7, the report will include information on the actual status of vacancies of Professional posts in each programme as well as on contingency measures which could be necessary in case of income shortfalls such as reduction of programme implementation or staff reductions.

The Board will have before it:

- Financial situation of UNIDO. Report by the Director-General (IDB.9/16)

Item 13. Conduct of business and rationalization of proceedings

The Board at its fifth session in 1989, endorsed a number of recommendations submitted by a working group for the conduct of business and rationalization of proceedings of the Board, and established them with immediate effect while deciding that it would look at the matter again in 1993 (decision IDB.5/Dec.46).

At its eighth session, in 1991, the Board noted with concern that since those recommendations

were established, during the biennium 1990-1991: (a) the number of items on the agendas of the Board had been drastically increasing, thus allowing little time for a substantial discussion of many important agenda items; (b) repetition of items in the agendas during the biennium had been impossible to avoid; and (c) the amount of pre-session documentation had significantly increased as a consequence of overloaded agendas, thus rendering a proper preparation virtually impossible. The Board decided to discuss that issue more in depth, in view of the possibility of amending some of the recommendations at its ninth session (decision IDB.8/Dec.43).

Furthermore, the General Conference in its resolution GC.4/Res.26 made recommendations for streamlining the work of the policy-making organs and recommended that the Board examine ways and means of achieving the implementation of those recommendations in its work.

The Board will have before it:

- Streamlining of the work of the policy-making organs. Note by the Secretariat (IDB.9/13)

Item 14. Electronic data-processing programme

The General Conference at its fourth session requested the Director-General, with a view to ensuring the transparency of all operations concerning the electronic data-processing (EDP) programme and avoiding a repetition of past difficulties, to report to the subsequent sessions of the policy-making organs on the programme and cost of implementing the consultants' recommendations and the recommendations of the External Auditor, as contained in documents GC.4/CRP.1 and GC.4/50, especially those concerning the disaster recovery plan, the organizational and functional changes and the internal control and evaluation of automation projects. It also requested the Director-General to keep Member States fully apprised of the EDP programme by quarterly briefings and informal notes (GC.4/Dec.18, para. (h)).

The Board will have before it:

- Electronic data-processing programme. Report by the Director-General (IDB.9/12)

Item 15. Venue of the fifth session of the General Conference

At its fourth session, in resolution GC.4/Res.30, the General Conference took note with appreciation of the kind offer of the Republic of Cameroon to UNIDO to host the fifth session of the General Conference in Yaoundé in 1993, and requested the Director-General to undertake the necessary consultations with the Government of the Republic of Cameroon for detailed arrangements for holding the fifth session of the General Conference in Yaoundé and to submit a report on the result of those consultations to the Board at its tenth session for decision.

Subsequently, the Board at its fourth special session decided to include this item on the agenda of its ninth session.

The Board will have before it:

- Venue of the fifth session of the General Conference. Report by the Director-General (IDB.9/4)

Item 16. Structure of world industrialization from the long-term perspective

The General Assembly of the United Nations at its forty-fifth session adopted resolution 45/196 on industrial development cooperation and the diversification and modernization of productive activities in developing countries in which it inter alia recommended that UNIDO, in close cooperation with the appropriate organs, organizations and bodies of the United Nations system, including the regional commissions, make recommendations to the General Assembly at its forty-sixth session, through the Economic and Social Council, with a view to strengthening effectively industrial development cooperation and the diversification and modernization of productive activities in developing countries.

UNIDO's proposals on the subject (IDB.8/32) were submitted by the Secretary-General of the United Nations to the General Assembly in document A/46/455. The General Assembly in its resolution 46/146 took note with appreciation of the recommendations contained in the report of the Secretary-General, noted with interest the UNIDO proposal for a study on the structure of world industrialization from the long-term perspective as a contribution to the overall assessment of and needs for industrial development in developing countries, and recommended that the Board should consider the proposal at its next session and report thereon to the General Assembly at its forty-seventh session.

To enable the Board to comply with the recommendation of the General Assembly, the Director-General is proposing the inclusion of this supplementary item on the provisional agenda of the current session.

The Board will have before it:

- Industrial development, retrospect and prospect: trends, choices and opportunities. A study proposed by the Director-General (IDB.9/5)

Item 17. Appointment of Deputy Directors-General

Three posts of deputy director-general will become vacant in the near future: the post of the Department for Programme and Project Development on 31 March 1992, and the posts of the Department of Industrial Operations and of the Department for Industrial Promotion, Consultations and Technology on 31 May 1992.

In compliance with Article 11.5 of the Constitution and Board decision IDB.1/Dec.11 and annex, the Director-General will submit his recommendations to the Board for approval.

In order to enable the Board to consider the matter, the Director-General, in accordance with rule 12 of the rules of procedure of the Board, is

proposing the inclusion of this supplementary item in the provisional agenda of the ninth session of the Board.

The Board will have before it a note on the subject (IDB.9/17).

Item 18. Provisional agenda and date of the tenth session

In accordance with rule 10.2 of the rules of procedure, the Director-General shall submit to the Board at each regular session the provisional agenda for the following regular session.

Following the recommendations of the Board for conduct of business and rationalization of proceedings (IDB.5/Dec.46, annex, para. 4), the Board at its fourth special session established a list of items for consideration when adopting the provisional agenda of its tenth session (see decision IDB/S.4/Dec.2, section A).

The Board also decided to hold its tenth session from 2 to 6 November 1992 (IDB/S.4/Dec.2, section B).

The Board will have before it:

- Board decision IDB/S.4/Dec.2 (GC.5/1, annex I)

Item 19. Adoption of the report of the ninth session

Item 20. Closure of the ninth session

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Item 8 of the provisional agenda

SYSTEM OF CONSULTATIONS

Consultations held in 1991 and plan for technical cooperation follow-up activities

Report by the Director-General

Summary

Submits for examination and approval of the Board the conclusions and recommendations of three Consultations held in 1991 on the capital goods industry with emphasis on machine tools; the building materials industry; and the fisheries industry for Asia and the Pacific island countries. A plan of action for technical cooperation activities as follow-up to the three Consultations is provided in the annex.

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Introduction

1. The present document is submitted to the Board in accordance with resolution GC.3/Res.2 adopted by the General Conference at its third session, and specifically paragraph 7 which requested the Director-General to present to the Board the conclusions and recommendations of each Consultation for examination and approval together with a plan of technical cooperation follow-up activities for guidance.

I. CONSULTATIONS HELD IN 1991

2. The four Consultations held in 1991 included the Second Consultation on the Wood and Wood Products Industry originally scheduled for December 1990, which took place from 21 to 25 January 1991. The report of that Consultation, which was held in Vienna, Austria, is contained in document ID/374, and its conclusions and recommendations were submitted to the Board at its eighth session in document IDB.8/21.

3. A brief summary is given below of the three Consultations held since the eighth session of the Board in July 1991.

Fourth Consultation on the Capital Goods Industry with Emphasis on Machine Tools

4. The report of the Consultation, which was held at Prague, Czechoslovakia, from 16 to 20 September 1991, is contained in document ID/378. The recommendations of the Consultation concerning policies to encourage the flow of technologies and reduction of restrictions on importation of machine tools were addressed to Governments as well as to the relevant international organizations. Human resource development was a key concern and the Consultation recommended the establishment and strengthening of national training centres and machine tool R and D centres with special emphasis on advanced technology. The Consultation called for assistance to be given to small- and medium-scale engineering firms to develop new technologies and improve environmental control and monitoring. The preparation of guidelines for total quality control systems was also among the key recommendations.

Second Consultation on the Building Materials Industry

5. The report of the Consultation, which was held at Athens, Greece, from 4 to 8 November 1991, is contained in document ID/380. The Consultation

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addressed policy-related issues as well as those related to technology transfer, development and promotion. In the area of policy, the Consultation agreed on an operational strategy for the development of the low-cost building materials sector, which included the creation of a favourable policy environment, institutional support and promotion of cooperation among developing countries. The review of existing standards and the formulation of appropriate ones were suggested to encourage the production and utilization of locally-manufactured building materials. Production systems through energy-saving methods were also to be encouraged. In addition, the Consultation agreed on the transfer of technological packages, including engineering design, training and maintenance. The United Nations Centre for Human Settlements (Habitat), UNIDO and other relevant international organizations will cooperate in implementing the plan of action resulting from the recommendations of the Consultation.

Regional Consultation on the Fisheries Industry for Asia and the Pacific Island Countries

6. The report of the Consultation, which was held in Vienna, Austria, from 2 to 6 December 1991, is contained in document ID/379. The Consultation focused on how to increase value-added in the fisheries industry in Asia and the Pacific island countries. The encouragement and promotion of collection and utilization of by-catch was seen as one measure to increase the overall production of fish products. Financial institutions were encouraged to increase their support to the industry, particularly for the development of value-added production. It was agreed that greater resources needed to be allocated to training. The strengthening of quality control systems including training and information on market requirements was a key recommendation. As follow-up to the Consultation, it was recommended that UNIDO organize a workshop on the prevailing standards in the European Community, Japan, and the North American markets, particularly to suggest ways of conforming to the standards of those markets.

II. PLAN OF ACTION FOR TECHNICAL COOPERATION ACTIVITIES

7. The UNIDO Advisory Committees for each of the three Consultations mentioned above have elaborated a plan of follow-up action identifying main and supporting responsibilities for the implementation of the recommendations. The plan, which appears in tabular form as an annex to the present document indicates the in-house responsibilities as well as those organizational units in the Secretariat which are to exercise lead responsibilities. It provides the context whereby UNIDO could enhance its technical and promotional activities on the basis of the conclusions and recommendations of the three Consultations.

III. ACTION REQUIRED OF THE BOARD

8. The Board is invited to examine and approve the conclusions and recommendations of the Consultations held during 1991 which are contained in documents ID/378, ID/379 and ID/380, and to provide guidance on the plan of follow-up action contained in the annex to the present document.

Annex

PLAN OF FOLLOW-UP ACTION

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Explanatory note

The main features of the recommendations as they appear in the reports of the Consultations (documents ID/378, ID/380 and ID/379) have been summarized briefly in the left column of the tables. The main organizations responsible for the follow-up of the recommendations have been listed under the column "Main responsibility". Those organizations having a supporting role in technical cooperation have also been indicated. In the last column, entitled "In-house responsibility", the units in the UNIDO Secretariat having main responsibility for initiation of activities have been designated. It is to be understood that the proposed programmes and projects would be carried out subject to availability of funds and, in the case of technical cooperation, receipt of an official request of the Government.

Abbreviations

ADB	African Development Bank
AGRO	Agro-based Industries Branch
AREA	Area Programmes Division
AsDB	Asian Development Bank
CONSULT	System of Consultations Division
COOP	Industrial Cooperation and Management Services Branch
EC	European Community
ECDC	Section for Economic Cooperation among Developing Countries
ENG	Engineering Industries Branch
ENV	Environment Coordination Unit
EPL	Department of External Relations, Public Information, Language and Documentation Services
FAO	Food and Agriculture Organization of the United Nations
GATT	General Agreement on Tariffs and Trade
Habitat	United Nations Centre for Human Settlements
IaDB	Inter-American Development Bank
ICFM	Industrial Cooperation and Funds Mobilization Division
IHRD	Industrial Human Resource Development Branch
II	Industrial Investment Division
IIS	Industrial Institutions and Services Division
ILO	International Labour Organisation
INFR	Institutional Infrastructure Branch
IO	Department of Industrial Operations
IO/T	Industrial Operations Technology Division
IPCT	Department for Industrial Promotion, Consultations and Technology
IPP	Industrial Policy and Perspectives Division
IsDB	Islamic Development Bank
ISO	International Standards Organization
ITC	International Trade Centre UNCTAD/GATT
LI	Unit for Light Industries Sector
OS	Industrial Operations Support Division
PPD	Department for Programme and Project Development
PLAN	Industrial Planning Branch
PRC	Project Review Committee Secretariat and Funds Administration Section
R and D	Research and development
REG	Regional and Country Studies Branch
REL	External Relations Division
SMA	Special Measures and Activities Division
TD	Industrial Technology Development Division
TP	Industrial Technology Promotion Division
TP/INF	Industrial and Technological Information Section
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization

PLAN OF FOLLOW-UP ACTION

Table 1*

FOURTH CONSULTATION ON THE CAPITAL GOODS INDUSTRY WITH EMPHASIS ON MACHINE TOOLS
(Prague, Czechoslovakia, 16-20 September 1991)

ISSUE: Conditions of entry and measures to promote competitive local production and utilization of machine tools

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
(a) Studies and monitoring of trends in the machine-tool sector in developed and developing countries to provide policy guidelines for effective use and production of machine tools	UNIDO	Preparation of policy guidelines for the sector	Lead unit: PPD/IPP Support units: IPCT/CONSULT and IO/IIS/PLAN
(b) Adoption of policies that encourage flow of machine tool technologies while compensating local producers through supportive measures including preferential public procurement policies	Governments	Analysis of appropriate packages for local producers and liberalization of imports	Lead units: PPD/IPP and PPD/AREA Support units: EPL/REL and IO/IIS/PLAN
(c) Removal of undue restrictions on importation of machine tools from developing to industrialized countries	Governments of industrialized countries, UNCTAD, ITC, GATT	Review of trade barriers in the machine tool industry and formulation of proposals for their removal	Lead units: PPD/IPP and IPCT/CONSULT Support unit: EPL/REL
(d) Development of standards and specifications to facilitate exchange of components and equipment at the regional level	National and regional standards organizations, ISO	Review, preparation and promotion of standards and specifications at national and regional levels	Lead units: IO/IIS/INFR and PPD/AREA
(e) Adoption of legislative and fiscal measures to introduce non-traditional financing mechanisms, especially leasing, inter alia, through establishment of national financing companies	Governments, financing institutions	Preparation of guidelines for legislative and fiscal measures required for non-traditional financing	Lead unit: IPCT/II Support units: IO/IIS/PLAN and PPD/IPP

* The present plan of follow-up action should be considered in conjunction with the report of the Consultation (document ID/378). It should be noted that the Advisory Committee on the Capital Goods Industry is the mechanism responsible for monitoring the implementation of the plan of follow-up action. Follow-up activities are mostly oriented towards technical cooperation and policy advice.

Table 1 (continued)

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
(f) Increased technical cooperation activities in the establishment of non-traditional financing	International organizations and financing institutions such as the World Bank and regional Development Banks	Identification of needs and delivery of technical cooperation in establishing and operating non-traditional financing firms in developing countries	Lead units: PPD/AREA and PPD/IPP Support units: IO/IIS/INFR and IPCT/II
(g) Establishment/strengthening of national training centres/institutes with special emphasis on advanced machine tools using simulators, computer-aided instructions, etc. and promotion of regional cooperation among such centres	UNIDO and other international organizations, e.g. UNESCO	Assessment of status of existing training centres/institutes and needs for their strengthening, and establishment of new centres	Lead units: IO/T/ENG and IO/OS/IHRD Support units: PPD/AREA and PPD/IPP
(h) Assistance to machine tool manufacturers in promoting total quality control systems	UNIDO	Preparation of guidelines on total quality control practices in machine tools production and dissemination to manufacturers in developing countries	Lead units: IO/IIS/INFR and IPCT/CONSULT Support unit: IO/T/ENG
(i) Promoting the establishment of machine tools research and development centres/institutes to introduce modern machine tools and their accessories in developing countries and their proper utilization	UNIDO and other international organizations	Assessment of needs and preparation of technical cooperation proposals for establishing R and D centres/institutes for modern machine-tool technologies	Lead units: IO/T/ENG in co-operation with IPCT/TD Support units: IO/IIS/INFR and PPD/AREA
(j) Assistance to small- and medium-scale engineering firms in developing countries in development of new technologies for improvement of environmental control and monitoring	UNIDO and firms in industrialized countries	Preparation of a report on the state-of-the-art of new technologies for improvement of environmental control and monitoring in small- and medium-sized engineering industries	Lead units: PPD/SMA/ENV and IPCT/TD Support units: IO/T/ENG and IO/IIS/INFR
(k) Promotion of new forms of international cooperation such as the UNIDO regional programme for industrial automation of the capital goods sector in Latin America	UNIDO	Preparation of proposals for regional cooperation in the capital goods industry for Africa and Asia	Lead units: IPCT/CONSULT and PPD/AREA Support units: IO/IIS/PLAN and PPD/IPP

Table 2*

SECOND CONSULTATION ON THE BUILDING MATERIALS INDUSTRY
(Athens, Greece, 4-8 November 1991)

ISSUE 1: Strategies and policies for the development of the building materials industry in developing countries

RECOMMENDATIONS	FOLLOW-UP ACTIVITIES			
Main features	Addressed to	Action required	In-house responsibility	
(a) Policy initiatives regarding national housing sector and the building materials industry as integrated part of socio-techno-economic development	Governments, UNIDO, Habitat and other international organizations	Preparation of policy guidelines on basis of existing conditions and establishment of priorities for discussion at country or regional level	Lead unit: Support units: and	IPCT/CONSULT IO/IIS/PLAN PPD/IPP PPD/AREA IPCT/TD
(b) Assessment of country needs for housing and related demand for building materials and identification of required types of building materials	Governments of developing countries, UNIDO, Habitat	Survey and analysis of local market and production capacity	Lead units: and Support unit:	IO/T PPD/AREA IPCT/CONSULT
(c) Review of financial resource allocation and loan policies for sustained development of the building materials industry	Governments, financing institutions, Habitat	Identification and selection of priorities of subsectors to be promoted	Lead unit: Support units: and	IPCT/II IO/IIS/PLAN PPD/AREA PPD/IPP
(d) Promotion of investment through fiscal incentives, tariff reforms, foreign trade liberalization	Governments of industrialized and developing countries, UNCTAD, GATT, ITC	Review of trade restrictions; formulation of proposals to remove obstacles, encourage investment policy	Lead units: and Support unit:	PPD/IPP IPCT/II IPCT/CONSULT
(e) Promotional programmes to establish confidence and widen acceptance among professional and end-users, including contractors, of local and traditional building materials in public and private construction projects	Governments, UNIDO, Habitat, UNESCO and other international organizations	Demonstration programmes including seminars and workshops for professionals and end-users	Lead units: and Support unit:	IO/T PPD/AREA IPCT/CONSULT
(f) Setting up support mechanism for coordinating the role of all actors involved in development, production, distribution and application of building materials, and linkage with R and D institutions	Governments, producers, technical centres, contractors, universities, R and D institutions	Establishment of priorities and modalities for coherent development and production of building materials	Lead units: and Support units: and	IPCT/CONSULT IO/T PPD/AREA IPCT/TD

* The present plan of follow-up action should be considered in conjunction with the report of the Consultation (document ID/380). It should be noted that the Advisory Committee on Building Materials is the mechanism responsible for monitoring the implementation of the plan of follow-up action. Follow-up activities are mostly oriented towards technical cooperation and policy advice.

Table 2 (continued)

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
(g) Technical cooperation to reorganize and revitalize building materials industries in newly created market-oriented systems from centrally-planned economies	Governments, UNIDO, ILO, international financing institutions, e.g. World Bank, and other international organizations	Identification of areas for assistance, e.g. management, technology and energy savings in production, engineering, investment, know-how	Lead units: IO/T and IPCT/II Support unit: IPCT/TD
(h) Operational strategy for the development of the low-cost building materials sector	UNIDO, Habitat and other international organizations	Creation of policy environment, institutional support and cooperation among developing countries	Lead units: IO/T and IPCT/CONSULT Support unit: PPD/AREA
ISSUE 2: Measures to strengthen the low-cost building materials industry in developing countries			
(a) Transfer of technological packages to include adequate provision for training, engineering, know-how, maintenance and subsequent technical back-up support	UNIDO, Habitat and other international organizations	Identification of appropriate technology adaptation and assistance in training	Lead unit: IO/T Support units: IO/OS/IHRD and IPCT/TD
(b) Pilot demonstration project to optimize use and cost-effective production of building materials and components and to train entrepreneurs, artisans, supervisors	UNIDO	Identification of country for setting up regional network of demonstration and training centres	Lead units: IO/T and IO/OS/IHRD Support units: PPD/AREA and IO/T
(c) Reinforcing capabilities of R and D and specialized centres; inventory and analysis of raw materials to ensure viability of production and utilization; disseminating information	Governments, Habitat, regional professional centres and other international organizations	National survey of resources for building materials	Lead units: IO/T and PPD/AREA Support unit: IPCT/CONSULT
(d) Formulation of appropriate standards and technical specifications to encourage production and utilization of locally manufactured building materials including low-cost materials	National and regional standards organizations, ISO	Review of existing and formulation of appropriate standards to widen production and use of local building materials	Lead units: IO/T and IO/IIS Support unit: PPD/AREA

Table 3*

REGIONAL CONSULTATION ON THE FISHERIES INDUSTRY FOR ASIA AND THE PACIFIC ISLAND COUNTRIES
(Vienna, Austria, 2-6 December 1991)

ISSUE: Measures to increase the production and marketing of value-added fish products in Asia and the Pacific island countries

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
(a) More resources allocated to training; stronger link with industry.	Governments, UNIDO, ILO, FAO	Assistance/advice on request; training programmes to be formulated with advice from industry	Lead unit: PPD/AREA Support units: IO/OS/IHRD, IO/T/AGRO, PPD/IPP/REG
(b) Regional approach to training for value-added subsector	Governments, regional organizations, UNIDO, ILO, FAO	Assistance/advice on request; develop curriculum to be adopted on regional basis	Lead unit: IO/OS/IHRD Support unit: IO/T/AGRO
(c) Encouragement and promotion of collection and utilization of by-catch as well as of value-added fish processing	Governments, UNIDO, FAO	Assistance/advice on request; dissemination of information available on process/technologies	Lead unit: IPCT/TP/INF Support unit: IO/T/AGRO
(d) More services by financial institutions to support fisheries industry financing	Financial institutions, Governments	Setting up appropriate infrastructure within national banks	Lead unit: IO/IIS/PLAN
(e) Promotion of new forms of international industrial cooperation and of technical cooperation programmes; distribution channels for domestic markets to be improved	International organizations, Governments	Expansion of cooperation with international organizations such as OECD, ACP, ITC, Commonwealth Secretariat	Lead unit: IPCT/CONSULT/LI Support unit: IO/T/AGRO
(f) Strengthening quality control systems through provision of expertise, training and advice	Donor Governments, companies, UNIDO, FAO	Cooperation through specialized training programmes	Lead unit: IO/T/AGRO Support units: IO/OS/IHRD, PPF/AREA/AP
(g) Transfer and development of appropriate technologies, provision of training in maintenance and operations	Industrial partners, technology suppliers, UNIDO, FAO, ILO	Cooperation through specialized training programmes	Lead unit: IO/T/AGRO Support unit: IO/OS/IHRD

* The present plan of follow-up action should be considered in conjunction with the report of the Consultation (document ID/379). It should be noted that the Advisory Committee on Fisheries is the mechanism responsible for monitoring the implementation of the plan of follow-up action. Follow-up activities are mostly oriented towards technical cooperation and policy advice.

Table 3 (continued)

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
(h) Encouragement of ECDC supported by industrial organizations.	Governments, industries, UNIDO, FAO	Provision of assistance/advice on request	Lead unit: PPD/AREA/ECDC Support unit: IPCT/CONSULT/LI
(i) Mobilization of financial resources for technical cooperation	UNIDO	Promotion of follow-up programmes vis-à-vis donor countries	Lead units: PPD/ICFM/PRC, PPD/ICFM/COOP
(j) Implementation and standardization of training in the region	UNIDO, FAO, UNESCO, World Bank, AsDB in cooperation with Asian Fishery Society	Preparation of terms of reference for regional, standardized training programme in value-added fish processing	Lead units: IO/T/AGRO, IO/OS/IHRD
(k) Better information on fish marketing studies and assistance to improve export marketing	FAO, ITC and other international organizations	Assistance in disseminating information, sensitize ITC/UNCTAD for cooperation	Lead unit: IPCT/CONSULT/LI Support unit: Regional advisers
(l) Organization of a workshop on import standards in EC, North America and Japan	UNIDO	Organization of first workshop for July 1992	Lead unit: IPCT/CONSULT/LI Support unit: PPD/IPP/REG
(m) Foster participation in future Consultation meetings of countries having major fishery industries	Governments, industry	Bring to attention of Governments and industry need for continuity	Lead unit: IPCT/CONSULT/LI

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Item 8 of the provisional agenda

SYSTEM OF CONSULTATIONS

Consultations held in 1991 and plan for technical cooperation follow-up activities

Report by the Director-General

Corrigendum

Page 6, table 2

After the entry for ISSUE 1 insert ISSUE 2: Measures to strengthen the low-cost building materials industry in developing countries

Page 7, table 2

Delete the entry for ISSUE 2.

Items (a) to (d) should be designated (i) to (l).

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UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1991

Report by the Director-General

Summary

In accordance with resolution GC.4/Res.3, reports on possible measures and actions to assist developing countries strengthen capabilities for national execution of technical cooperation projects; expands on the report in chapter III of document IDB.8/16 presenting measures to ensure that the quantitative and qualitative relationship between project components is in line with specific needs of countries; and provides a definition of the concept of technical cooperation in terms of UNIDO operational activities. Also provides information on action related to qualitative aspects of technical cooperation as requested in decision GC.4/Dec.11.

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Introduction

1. In accordance with Board decision IDB.7/Dec.11, the Director-General is to present an annual report on the technical cooperation activities of UNIDO. Information on such activities for 1991 is provided in the Annual Report of UNIDO, 1991 (IDB.9/10), in particular chapters I, II.B and V. A list of technical cooperation projects approved and/or operational in 1991 will also be made available to the Board as a conference room paper.

2. The debate on technical cooperation activities of UNIDO at the fourth session of the General Conference focused on numerous relevant aspects. The different perspectives were also reflected in the decision and resolution on the subject adopted by the Conference. Resolution GC.4/Res.3 called for the response of the Director-General on aspects of technical cooperation related to the capabilities of developing countries for national execution, ratio of project component costs and a definition of the concept of technical cooperation in terms of UNIDO operational activities. Decision GC.4/Dec.11 dealt with qualitative aspects of technical cooperation and called for action related to project appraisal.

I. CAPABILITIES FOR NATIONAL EXECUTION OF TECHNICAL COOPERATION PROJECTS

3. The present report looks at the elements necessary for project execution and proposes ways of strengthening those elements in the institutional infrastructure of developing countries. It also views national execution within the context of the new United Nations Development Programme (UNDP) policy. According to that policy, all development programmes or projects are nationally "owned", directed and controlled, and the establishment of priorities, achievement of development objectives and sustainability of results are the responsibility of government. Execution entails the overall management of the programme or project and carries with it responsibility and accountability for the production of outputs, the achievement of

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objectives and the use of UNDP resources. In the new framework, execution is distinct from project implementation. The latter entails the procurement and delivery of programme/project inputs. Implementing agents are accountable to the executing agent for the quality and timeliness of project inputs assigned to them for implementation. Execution and implementation can be assigned to different parties in consultation with the relevant agencies. The choice of execution and implementation modality must be made jointly by government and UNDP. However, the authority for final designation of execution and implementation agents lies with the Administrator.

4. The designation of a national entity as the executing agent should take into account the following criteria:

(a) Availability of managerial and organizational capacity to carry out the functions associated with execution;

(b) Existence of technical capacity to exercise oversight and supervision of project activities;

(c) Willingness and commitment of the national entity being considered to assume the responsibilities and to be accountable to UNDP, that accountability covering both substantive and financial areas.

5. Another significant break with past practice is the fact that if a project is executed nationally, the relevant specialized agency may still be deeply involved both in execution through provision of technical support services and in implementation. In the event that the Government and UNDP are of the opinion that no national organization is available to execute a project, a specialized agency may be designated to execute that project.

6. In the new framework and underpinned by the new support cost arrangement, UNIDO, in common with other agencies, is expected to play various supporting roles to national execution in the following respects:

(a) Supporting a national executing organization in the overall technical oversight over a project;

(b) Implementing a project or parts thereof;

(c) Supporting national implementing agents;

(d) Providing project technical support of the TSS-2 (technical support services at the project level) type, including technical monitoring;

(e) Participating in tripartite project evaluations.

The above roles, as foreseen in the successor arrangements, are directly and fully in support of national execution.

7. Indeed, it is expected that in forthcoming years, many more projects will be executed nationally since the availability of various types of support from the specialized agencies make the national execution modality more viable than hitherto, when no financial provisions for agency support for such a modality were in place.

8. The agencies possess certain advantages which would enable them to provide those support functions:

(a) Profound knowledge of the sector and subsectors or themes in which the project or programme takes place;

(b) Technical or substantive experience and capabilities;

(c) Specialized databases and information;

(d) Objectivity and neutrality of advice;

(e) Efficient and high-quality administrative and technical services.

9. Based on the above advantages, UNIDO can further assist developing countries to strengthen their capabilities for technical cooperation execution by:

(a) Providing sector- and subsector-specific policy analyses and advice that can be used to strengthen national policy-making and improve donor coordination - This function already exists and is financed under the regular budget of UNIDO. It is being strengthened through the new UNDP TSS-1 (technical support services at the programme level) facility, although demand is soon expected to outstrip the resources available.

(b) Strengthening national capabilities for project design, appraisal, management and evaluation - Several activities are taking place:

(i) UNIDO has, to a much greater degree than other agencies, used national project directors in its large-scale projects instead of international project managers or chief technical advisers. This has constituted an important on-the-job training mechanism;

(ii) UNIDO has organized, and continues to organize workshops for project design, appraisal and evaluation. A number of these have been organized in developing countries with a large participation of national staff;

(iii) It has also been UNIDO practice to bring national project directors of large-scale projects to Headquarters for extensive briefings on project management, execution and implementation;

(iv) At present, under the leadership of the Consultative Committee on Substantive Questions (Operational Activities), a study is being carried out to identify the need for, and scope of, expanded training on operational activities, specifically for national staff.

A major constraint has been the lack of systematic funding for such training activities. Most training has had to be financed from project budgets or carried out in conjunction with other missions.

(c) Simplifying execution and implementation procedures - UNIDO has been actively involved in interagency efforts to harmonize and simplify procedures, formats and methods. UNIDO has, for instance, developed and disseminated various

user-friendly guidelines, for instance for project design and evaluation, and harmonized its own formats with those of UNDP. The simplification of procedures depends, however, on the funding organizations that define those procedures, formats and methods.

II. RATIO OF EXPERT COMPONENT COSTS TO OTHER COMPONENT COSTS

10. Much of the project delivery of technical cooperation consists of inputs specified by the mutual agreement of the three parties concerned, but essentially by the recipient Government or organization. The structure of project components is certainly not determined by UNIDO alone. As discussed in chapter IV below, UNIDO traditionally places great emphasis on project design in order to ensure relevance, cost effectiveness and sustainability. Furthermore, technical cooperation projects involve a transfer of knowledge. That is essentially transmitted by experts, with the role of equipment in technical cooperation projects supporting the transfer of knowledge.

11. The composition of project components also varies with the type of project. For example, figure 1 shows how ratios differ significantly between branches of the Department of Industrial Operations, reflecting the difference between technologically-oriented projects, such as those backstopped by the Metallurgical and Engineering Industries Branches, and policy- and institution-oriented projects focusing on the provision of expertise and training, such as those backstopped by the Industrial Planning and Feasibility Studies Branches. The figure shows that the project personnel component represents 72 per cent of delivery in industrial planning projects, but only 24 per cent of metallurgical industries projects. Figure 2 reflects the project component ratio for UNIDO delivery over a six-year period.

12. Furthermore, projects attempt to provide an optimum mix of project components in order to ensure the best response for project objectives within the framework of the country's needs. In general terms, the countries of Asia and the Pacific and Europe tend to select projects with a technology orientation requiring a higher training and equipment component to be provided by UNIDO. This trend is also observed in the Arab countries, although to a lesser degree. There, self-financed trust funds and cost-shared projects dominate and the projects are technology oriented, supported by a high expert component for services and advice. Countries of Latin America and the Caribbean region seem to opt for projects predominantly in the policy, infrastructure, economic and promotional areas, which require a high expert component. The African region requires projects implemented in a variety of fields.

13. Other determinants of project components are the priorities and policies of funding sources. Some of these funding sources place restrictions on the equipment component, while there are basically no limitations on the three "software" components, i.e. project personnel (experts and consultants), subcontracts and training. Industrial Development Fund (IDF) donors usually prefer training, direct support or institution-building assistance which require little or no equipment to support the effort. Similarly, trust fund donors and self-financed projects require a heavy expert orientation. Indicative planning figure (IPF)-financed projects allow for a relatively high share of equipment, and since IPF has been the largest source of funding for UNIDO technical cooperation activities thus far, the composition of project components from that source has influenced the aggregate structure of UNIDO delivery. Finally, projects under the Special Industrial Services programme are geared towards trouble-shooting, high-level advisory services and, to a limited degree, training. Therefore, they are expert-oriented with an explicit limitation on the equipment component. Figure 3 shows project component ratios by source of funds.

14. It can thus be seen that the ratio of project components is determined by a multiplicity of factors including substantive sector, geographical area and source of finance. As illustrated by figure 2, the overall ratio has been relatively constant, however significant variations do occur when affected by those variables. The dynamic nature of that ratio makes it difficult to predict its composition in future years, but the changing needs of developing countries and the impact of those needs in determining the type of assistance requested can be expected to play a major role.

15. Implicit in paragraph 2 of resolution GC.4/Res.3 is a desire for a further increase not only in the number of national experts in projects but also for an increase in the number of international experts from developing countries. In recent years the proportion of national experts appointed by UNIDO working in their own countries has fluctuated between 13.3 and 16.7 per cent of total project personnel appointments. Many factors can influence this proportion, including substantive area, availability of local expertise and local infrastructure. Furthermore, some Governments do not wish to use multilateral technical cooperation financing to employ local expertise. Instead, they hire such expertise directly as a counterpart contribution or outside the framework of the technical cooperation project. That notwithstanding, it can be expected that the changes made by UNDP with regard to national execution should enhance the involvement of national staff in various roles.

16. Nationals of developing countries constitute 34 per cent of experts on the UNIDO roster. In 1991, developing country nationals accounted for 18 per cent of international experts appointed by UNIDO. Here too it should be borne in mind that experts are selected by the recipient countries from among a number of candidates submitted; the final choice is not exercised by UNIDO. Proposals to increase the participation of developing country nationals in technical cooperation projects could include the following:

(a) Increase the number of experts from developing countries on the UNIDO roster, through recruitment missions and other methods;

(b) Place more emphasis on monitoring and evaluating the performance of national experts with a view to including on the UNIDO international roster those considered suitable;

(c) Within the context of economic cooperation among developing countries and other projects, ensure that nationals of developing countries are given an opportunity to develop their skills as consultants and experts;

Figure 1

Share of project components in delivery by branches of DIO, 1986-1991

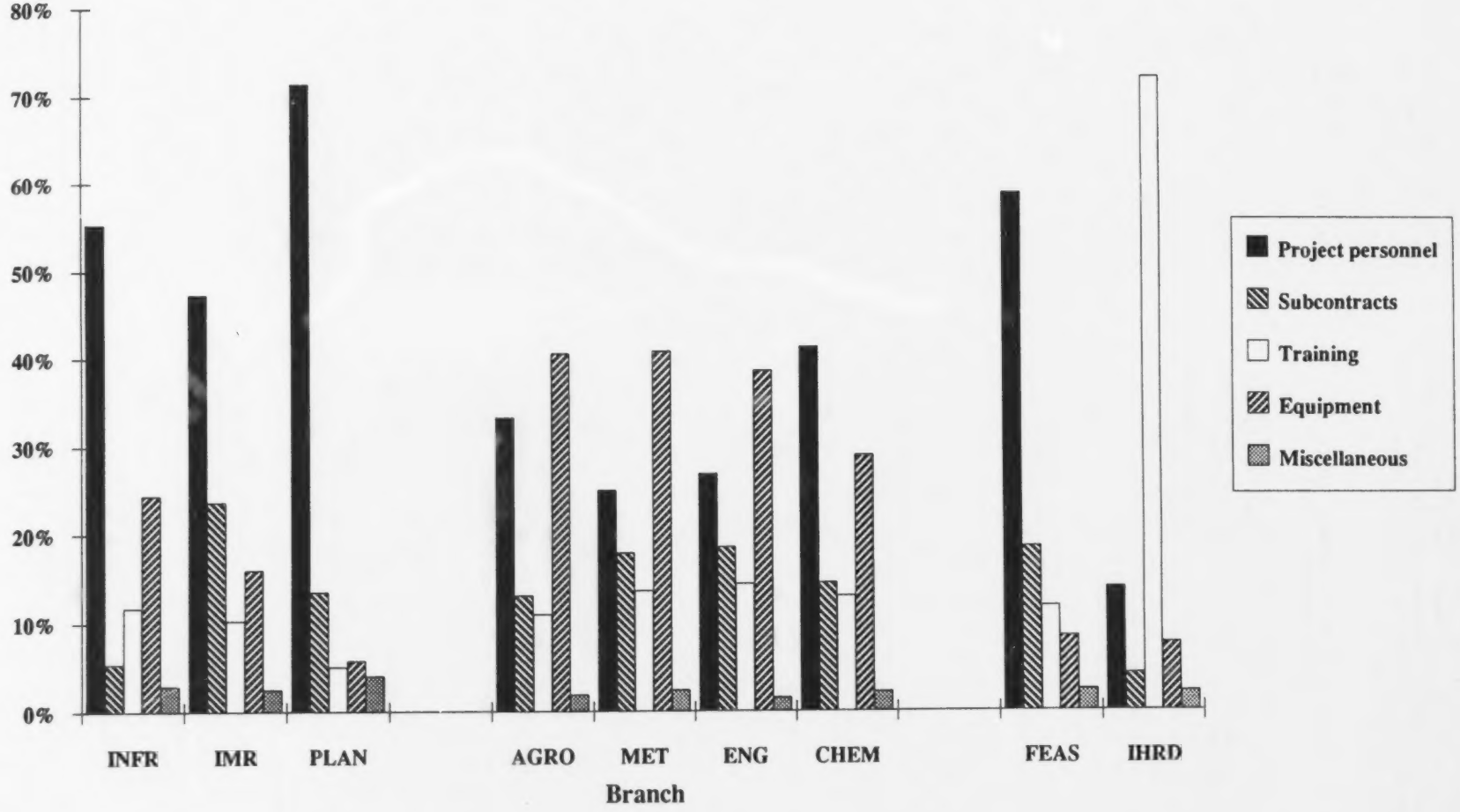


Figure 2

UNIDO delivery by project component

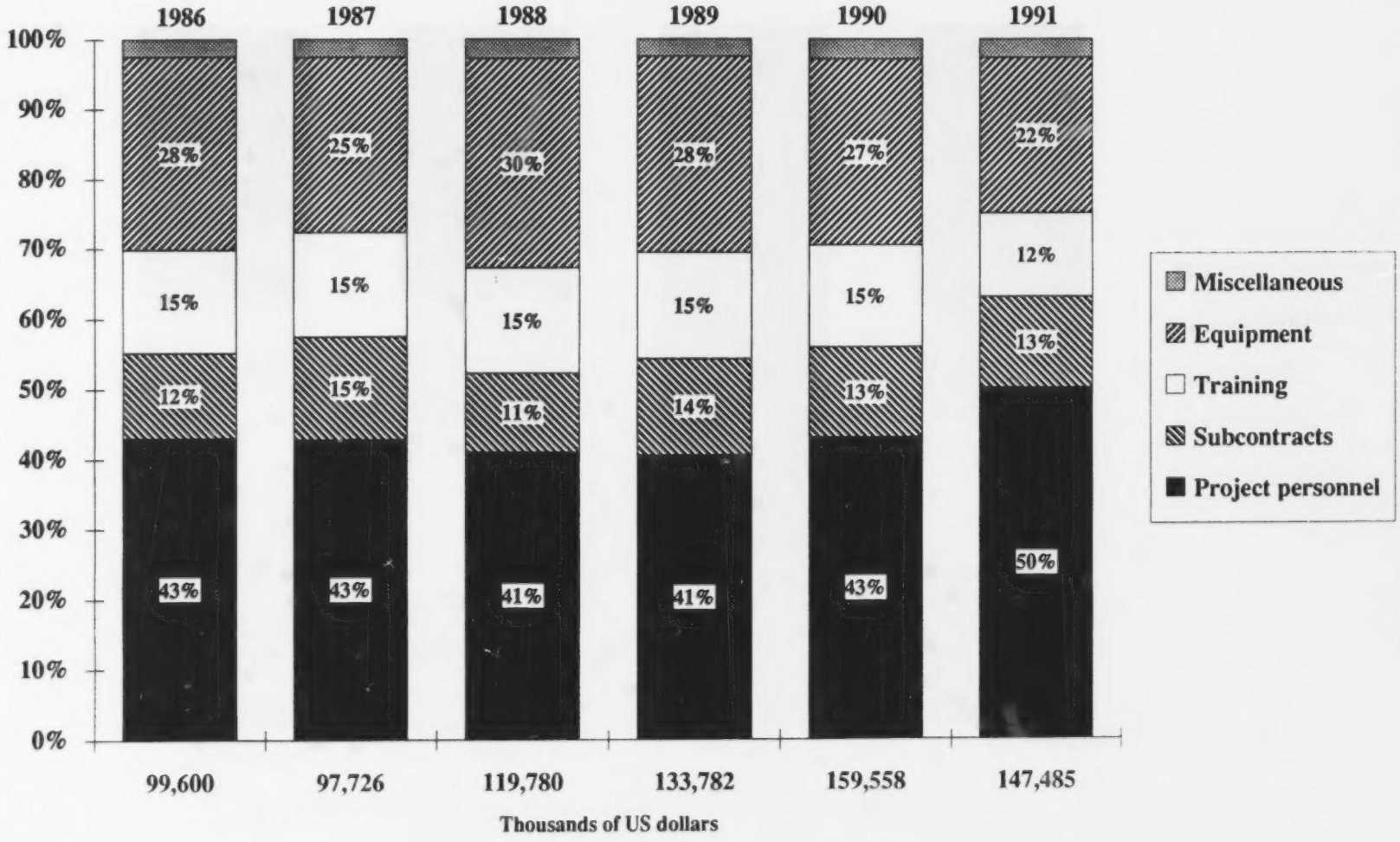
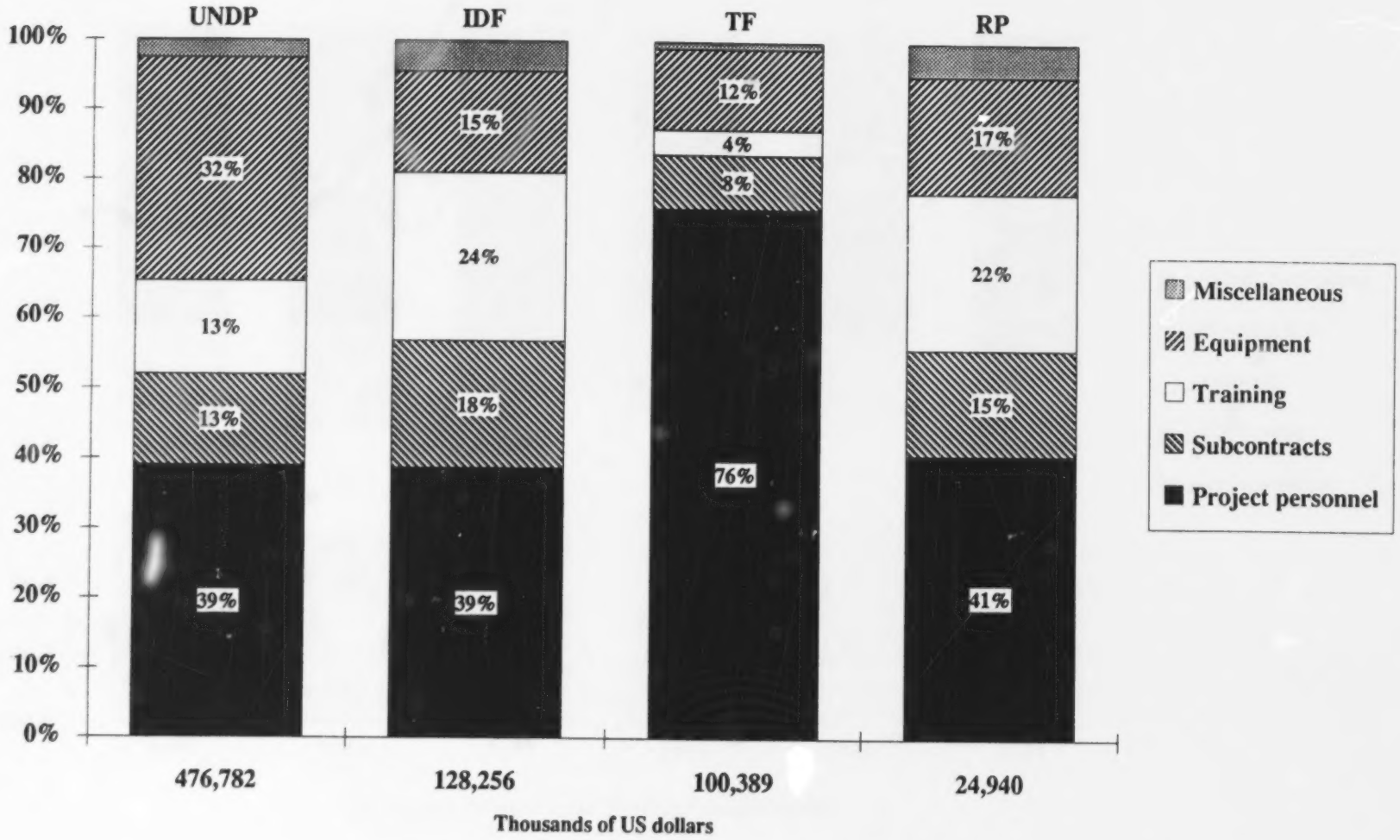


Figure 3

UNIDO project component delivery by source of funds, 1986-1991



(d) Assist developing countries in setting up national recruitment services or similar institutions able to identify and support national experts. In this respect UNIDO is already actively involved in United Nations workshops for national recruitment services of developing countries; and

(e) In cooperation with UNDP offices, a special section of the UNIDO roster could be established for national project personnel which would also interact with the international roster.

III. CONCEPT OF TECHNICAL COOPERATION

17. A definition of the concept of technical cooperation in terms of UNIDO operational activities must of necessity take into account the Constitution of UNIDO, from which it emanates. In the medium-term plan, 1992-1997 (PBC.7/17, para. 136), reference is made to the scope of technical cooperation as defined in specific terms in several paragraphs of Article 2 of the Constitution. In particular, paragraphs (d), (e), (g), (k), (m), (n), (o) and (q) of Article 2 were specified in the medium-term plan. It is in that context that the Secretariat defines the concept of technical cooperation as a major programme instrument of UNIDO.

18. The medium-term plan also recognizes that the major programme instrument, technical cooperation, covers a great deal of activity. Given the many categories of services provided, the technical cooperation activities of UNIDO could be concisely summarized as entailing the provision of advice, expertise, training and related equipment in support of industrial development, utilizing the various sources of financing available to the Organization.

IV. APPRAISAL AND PROJECT DEVELOPMENT

19. The UNIDO project development process comprises the identification, formulation, appraisal and approval stages described in Director-General's Bulletin UNIDO/DG/B.40. General Conference decision GC.4/Dec.11 concerning objectives-oriented project planning bears implications for the appraisal stage and the identification and formulation stages of the project development process. While action at the appraisal stage has been initiated, it is by no means sufficient since overall quality, in terms of relevance, cost effectiveness and sustainability, can only be ensured if projects are designed from the beginning with those quality criteria in mind.

Appraisal stage

20. The conclusions drawn from the Expert Group Meeting on the Theory and Practice of the Appraisal of Technical Cooperation Projects, 1/ the preparation of preliminary guidelines on the application of objectives-oriented project planning and the experience gained from appraisal workshops in China and Nepal to design three large technical cooperation projects 2/ have resulted in the re-organization of the UNIDO appraisal process. It now includes: (a) a review of participation, problem, alternative strategies and critical assumptions analyses as a means of determining whether overall quality criteria are met; and (b) a restructured appraisal memorandum on each project's overall quality, focusing on relevance, cost effectiveness and sustainability, as defined in chapter III of document GC.4/28; (c) where applicable, the appraisal memorandum also refers to specific considerations such as environmental protection, women in industrial development and employment effects.

21. In the case of preparatory assistance for projects over $1 million, appraisal workshops will continue to be organized whenever necessary in the field with the participation of counterparts and target beneficiaries, UNIDO technical officers and an appraisal officer as moderator. The moderator's role is to provide methodological support to the process of project design in order to ensure that the appraisal workshops attain the desired results. Through those workshops, appraisal advice is provided at the project formulation stage as requested in decision GC.4/Dec.11, paragraph (e). In general, however, project planners may now seek appraisal advice during the formulation phase of any project. In the case of IDF-financed projects, appraisal advice will focus on project concepts for eventual financing by special-purpose donors.

Identification and formulation stage

22. The implications of decision GC.4/Dec.11 for this stage require more a change in the way in which projects are designed than in existing procedures. Through an offer of Germany, the German Agency for Technical Cooperation (GTZ) briefed UNIDO executive management on objectives-oriented project planning methods as a further development of the logical framework approach used by UNIDO. The basic requirement is to carry out participation, problem and alternative strategies, and critical assumption analyses during project identification and formulation through a participatory approach with the expected counterparts and target beneficiaries.

23. UNIDO is currently examining how these methods can be applied to the design of different types and sizes of its technical cooperation programmes and projects. On this basis a handbook and related training material will be prepared for use by project planners at UNIDO and in developing countries in the identification and formulation stages of the project development process. The required training to upgrade skills in project design is also being planned.

V. ACTION REQUIRED OF THE BOARD

24. The Board may wish to take note of the present report.

Notes

1/ The report of the meeting, which was held from 25 to 27 September 1991 in Vienna, Austria, was issued under the symbol ID/WG.517/3.

2/ In addition to the appraisal workshop held in Nepal in 1991 described in chap. V of the Annual Report of UNIDO, 1991 (IDB.9/10), a similar workshop was held in China in February 1992.

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VENUE OF THE FIFTH SESSION OF THE GENERAL CONFERENCE

Report by the Director-General

Summary

In compliance with resolution GC.4/Res.30, reports on consultations with the Government of the Republic of Cameroon for detailed arrangements for holding the fifth session of the General Conference in Yaoundé.

At the invitation of the Government of Cameroon and pursuant to resolution GC.4/Res.30 of the General Conference, a mission of three UNIDO staff members was dispatched to Yaoundé from 24 to 27 February 1992 to undertake consultations with the Government for detailed arrangements for holding the fifth session of the General Conference in Yaoundé. The report of the mission is contained in the annex to the present document.

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Annex

REPORT OF MISSION TO YAOUNDE, CAMEROON
(24-27 February 1992)

1. Discussions with the Ministry of Industrial Development and Commerce, which was responsible for the programme, focused on coordination of all relevant aspects. In addition, meetings were held with numerous other Ministries and offices, including the Ministry of Foreign Affairs. Despite the absence of some officials from Yaoundé, it was possible to realize nearly the full programme planned by the Ministry. The Government informed the mission that, in the interest of smooth coordination, a National Committee was being established to serve as a focal point for all organizational arrangements should the Conference be held in Yaoundé.

I. CONFERENCE FACILITIES

2. As the venue of the Conference the Government has offered the Palais de Congrès at Yaoundé, located at the Mont Nkol-Nyara outside the city centre. Requirements for facilities, services and equipment had been notified to the Government in November 1991, and were thoroughly discussed by the UNIDO mission with senior staff of the Palais de Congrès. All available conference rooms and offices were visited and it was agreed that, subject to certain modifications and adaptations, the Palais de Congrès would offer facilities adequate to accommodate the General Conference. Specifications with respect to required modifications were requested by the Government, and in general officials considered that the necessary adaptations would pose no serious difficulty.

3. The main conference room for the plenary has a capacity of 1,500 seats on two levels, and the main committee could be accommodated in a suitable room with a capacity of 400 seats. Adequate space is available for smaller meetings, and office space would be sufficient subject to the partitioning of large exhibition areas to accommodate the requirements of the Conference secretariat.

4. While the extent of interpretation equipment is adequate for both the plenary and the main committee subject to minor modifications, the available equipment may require technical improvement. It was underlined by the Palais de Congrès management that the equipment would be upgraded to up-to-date standards.

5. There are at present no reproduction or photocopying facilities at the Palais. UNIDO was asked to provide specifications for the equipment, as well as volume information, to ensure the smooth handling of in-session documentation. Suitable photocopy machines would also be required.

6. Personal computers and printers for word processing and typewriters with appropriate keyboards would be provided by UNIDO and included in the air freight shipment. Transcription equipment and related supplies would also be provided by UNIDO.

7. In order to keep the detachment of the UNIDO Secretariat to the absolute minimum (estimated at around 165 staff), the Government has been advised that approximately 50 local staff would be required as bilingual typists, assistant conference clerks, registration, documents, reproduction and distribution clerks, ushers and messengers to be financed by the Government.

8. Additional telephone lines for international calls and for telefax and telex facilities would be required, the installation of which appeared to pose no problem to the Ministry of Information.

II. FINANCIAL ARRANGEMENTS

9. In accordance with rule 8 of the rules of procedure of the General Conference, the actual additional costs directly or indirectly involved in holding a session away from the seat of the Organization shall be borne by the host Government. The financial implications of holding the Conference in Yaoundé were fully explained to officials of the Ministry of Industrial Development and Commerce, and a copy of the provisional estimates of additional costs of holding the session away from Headquarters was provided to the Ministry. A copy of the draft model agreement was also provided to relevant government officials. Specific points with respect to financial implications raised during the final meeting of the mission, at which the Ministry of Finance was also represented, are included in paragraphs 10 to 12 below.

10. It was emphasized that the final cost to the Government was the actual additional costs incurred and that UNIDO would require financial advances from the Government to ensure that costs were not covered temporarily from the resources of the Organization. Additional costs include, but are not limited to, travel costs and daily subsistence allowance for UNIDO staff, preparatory missions and air freight costs for supplies and equipment needed to service the Conference.

11. In addition to the costs foreseen under rule 8, the Government would incur substantial local costs for, inter alia, communications, printing equipment, provision of offices and restaurant facilities, possible upgrading of equipment at the conference centre, local transportation of staff and delegates to the Palais de Congrès and the provision of local staff to assist in the running of the Conference.

12. The UNIDO team emphasized the importance of ensuring the availability of a sufficient number of flights from Yaoundé to destinations in Europe in order to ensure that staff are able to leave immediately after the Conference. Any delays could prove costly to the host Government in terms of daily subsistence allowance and salaries of contracted international staff.

III. LOCAL INFRASTRUCTURE

13. A modern airport in Yaoundé is already operational for domestic flights, with international flights expected to start by summer

1992. While connections to European destinations will initially be somewhat limited, Cameroon Airlines has indicated that additional flights would be scheduled to better accommodate the requirements of participants. It was emphasized that, in accordance with established United Nations practice, a maximum of 40 staff members may travel on the same flight.

14. Government officials indicated that a total of 450 rooms in the five-star category (Sofitel and Hilton), in addition to adequate accommodation in middle class hotels, would be blocked by the Government for the Conference. It was agreed that, due to its location, UNIDO staff would be accommodated at Sofitel and that 165 rooms (single occupancy) would be blocked by the Government for that purpose for their arrival several days prior to the Conference. Arrival dates of UNIDO staff, some of whom would be required at the conference site considerably in advance of the session, would have to be arranged in consultation with the Government. Transportation from hotels to the Palais de Congrès would be provided by the Government.

15. A copy of the information booklet prepared by the Government of Thailand prior to the second session of the General Conference was provided, and authorities indicated that a similar booklet would be prepared if Yaoundé is chosen as the venue for the fifth session.

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STRUCTURE OF WORLD INDUSTRIALIZATION FROM THE LONG-TERM PERSPECTIVE

Industrial development, retrospect and prospect: trends, choices and opportunities

A study proposed by the Director-General

Summary

In accordance with United Nations General Assembly resolution 46/146, submits to the Board for consideration a proposal for a study on the structure of world industrialization from the long-term perspective as a contribution to the overall assessment of and needs for industrial development in developing countries.

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Introduction

1. In its consideration of industrial development cooperation and the diversification and modernization of productive activities in developing countries, the United Nations General Assembly at its forty-sixth session adopted resolution 46/146, which, inter alia, noted with interest the proposal of the Director-General of UNIDO for a study on the structure of world industrialization from the long-term perspective as a contribution to the overall assessment of and needs for industrial development in developing countries. The General Assembly recommended that the Board should consider the proposal at its next session and report thereon to the Assembly at its forty-seventh session. The present document is intended to facilitate the work of the Board in complying with the recommendation of the General Assembly.

I. BACKGROUND

2. The background to the proposal of the Director-General for the study can be found in the UNIDO response to General Assembly resolution 45/196 on industrial development cooperation and the diversification and modernization of productive activities in developing countries, in document IDB.8/32, which was presented to the Industrial Development Board at its eighth session. That resolution, with its focus primarily on industrial development, was adopted in the same year (1990) that the General Assembly considered international economic cooperation (resolution S-18/3) at its eighteenth special session, and proclaimed the International Development Strategy for the Fourth United Nations Development Decade (resolution 45/199). In recent years the issue of industrial development had received less emphasis in the resolutions on international economic cooperation and on the Fourth International Development Decade than in earlier General Assembly resolutions. In contrast, resolution 45/196 re-emphasized industrial development, recognized the many and growing challenges and obstacles to industrial development faced by developing countries, and called, inter alia, for UNIDO, in cooperation with sister agencies, to make recommendations to the General Assembly, with a view to strengthening effectively industrial development cooperation and the diversification and modernization of productive activities in developing countries.

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3. In response to General Assembly resolution 45/196, 15 recommendations were made by UNIDO, as contained in document IDB.8/32. The first recommendation (IDB.8/32, para. 12) invited the General Assembly to consider the preparation by UNIDO of a study of long-term world industrial structure, which might address the interrelated questions of employment generation; changing terms of trade; environmentally sustainable industrial development; changes in the direction, structure and modalities of international trade and resource flows; new perceptions of the role of government; and modalities and priorities in human resource development. Those were among the major issues which had been identified in General Assembly resolution 45/196. The Board did not have the time to discuss the agenda item in depth, but authorized the Secretariat to transmit to the United Nations Secretariat for submission to the General Assembly at its forty-sixth session, through the Economic and Social Council, document IDB.8/32, together with the views expressed by Member States on the subject during the eighth session of the Board (1-5 July 1991), in compliance with General Assembly resolution 45/196.

4. In line with the request that the UNIDO recommendations be prepared in close cooperation with the appropriate organs and organizations of the United Nations system, including the regional commissions (resolution 45/196, para. 11), a draft version of document IDB.8/32 was transmitted to the Administrative Committee on Coordination (ACC) at its first regular session of 1991. Due to the rather limited time available for the preparation of the document and, thus its late submission, ACC did not review the draft report. Therefore, before finalizing the document, UNIDO invited the concerned sister organizations to submit their comments and suggestions in writing to the UNIDO Secretariat. Subsequently document IDB.8/32 was submitted to the Economic and Social Council at its second regular session in July 1991. The views expressed by Member States and written comments by several United Nations agencies were taken into account in the version of document IDB.8/32 which was presented to the General Assembly at its forty-sixth session (A/46/455). That document was discussed by the Second Committee of the General Assembly under the agenda item on industrial development cooperation and the diversification and modernization of productive activities in developing countries, following an introduction by the UNIDO representative. A note on the proposed study on long-term world industrial structure was circulated to the Second Committee and is contained in the annex to the present document.

5. In their statements to the Second Committee, delegations, in providing guidance to the UNIDO Secretariat, emphasized a number of crucial industrialization and development issues that should form part of the projected study, including special problems of industrial development in the least developed countries, the importance of the role of the private sector, the development and transfer of technology, the transfer or conversion of military industries, ecologically sustainable development, cooperation with international financial institutions, and institutional requirements for industrial development.

6. In his statement to the Second Committee, the Director-General of UNIDO pointed out that if those and other subjects were to be addressed in a comprehensive stocktaking exercise within the context of the study, the international community and policy makers throughout the world would be in a position to determine where industry in developing countries actually stood. This stocktaking could be used to determine what should be done on the many fronts of industrial development in those countries and by the international community. He emphasized that industrialization meant more than high growth rates in manufacturing. An effective in-depth study would have to focus on the reasons for industrial success and failure. The study would focus on the backward, forward, and horizontal linkages within the industrial sector, as well as between the industrial and other economic sectors. It would also focus on the environment and areas such as agriculture; it would address the issues of infrastructure and various services such as management, marketing, education, training and finance. Stress was placed on the view that the issues of industrialization were all-encompassing, interdisciplinary and closely interrelated, and it was essential that any consideration of those issues focus sharply on their interaction. The proposed research project would extend beyond the confines of the more narrowly focused annual Global Report of UNIDO. In particular, it would entail an interdisciplinary approach to the investigation of the world's industrial structure, drawing upon the social, cultural, political, environmental and institutional dimensions of the future industrial transformation of the world, as well as on its economic and industrial dimensions.

7. The Director-General also indicated to the Second Committee that the initial cost estimate of the proposed study was about $2.2 million, and he requested that the Second Committee as well as the Fifth Committee address that issue.

II. SCOPE OF THE PROPOSED STUDY

8. The aim of the study is to provide a comprehensive and detailed review of the changing structure of industry world wide. The study is to identify trends which may lead to new structures and opportunities for the early twenty-first century in the industrial sector and to suggest ways and means by which Governments, individually and collectively, may influence and improve upon those futures. The emphasis would be on providing a sound basis for policy choice between countries involving the analysis of macroeconomic aggregates, as well as policy choice within national economies involving a consideration not only of macroeconomic issues - such as income, investment and fiscal policy - but also of micro-economic aspects, in particular the functioning of firms and institutions and their role in promoting industrial development. Thus, in addition to macro-level aggregate analysis, the proposed study envisions analysis through in-depth case studies and, where necessary, field surveys focused on the main actors and institutions in the

development process, in an extensive sample of countries in 10 regions and subregions of the world. The proposed study would concentrate on the main elements of the production system in various countries: the institutions, the production enterprises, the plant and the equipment, as well as the people in the production system that work together to plan, conceive, adapt and design, develop, produce, market and deliver industrial goods and services. It appears important to draw on the perceptions of major actors in the industrial development process such as managers, engineers, workers, financiers, development bankers, academics and researchers, directors of trade and industry associations and government policy makers. Macroeconomic trends and policies alone do not account for the relative success and failure of industry in the developing countries - or indeed among the developed countries. The reasons for industrial success also stems from what is happening on the factory floor, on the board of directors, in the service institutions, in the relevant government ministries, as well as in classrooms and training facilities. In examining productive performance, special attention will be given to human resource development and technology.

9. Section II of the annex to the present document provides a preliminary list of some of the topics to be addressed in the proposed study. The list is likely to be enlarged on the basis of the views expressed and guidance provided by Member States during the debate in the Second Committee at the forty-sixth session of the General Assembly and at the ninth session of the Industrial Development Board. At the same time, the number of issues addressed may have to be limited to keep the study within manageable proportions, and to maintain a degree of coherence with emphasis placed on providing a sound basis for policy choice within national economies, as well as policy choice by the international community. Each of the issues identified in the list can be reformulated. Thus, a consideration of the role of government in industrial development might include: changing perceptions of the role of government; decentralized economic management, privatization and macroeconomic stability; government and non-governmental institutions and their relationship to industrial development; institutional infrastructure and its software linkages to industrial firms; and indices of "government success/failure phenomena" and "market success/failure phenomena" illustrated by case studies.

10. In preparing this extensive and comprehensive study UNIDO would make full use of the experience gained by its Global Report team and of its extensive network of collaborating research institutions and specialist trade publication journalists to provide valuable inputs and insights. Other resources available to UNIDO include an extensive range of statistical databases, most of which are internally generated, with the remainder made available by international organizations such as the United Nations Statistical Office, the International Monetary Fund and the World Bank. Use can also be made of the United Nations Industry Trade and Development (UNITAD) econometric world model, and some 220 national input-output tables.

III. SCHEDULE FOR THE PROPOSED STUDY

11. First phase (one month): All quantitative models developed by UNIDO would be re-evaluated for their applicability to the proposed project and updated along with their databases, and redesigned if necessary to implement quantitative exercises directly useful to the project. This would be accompanied by a comprehensive review and stocktaking of past industrial performance and of current trends for different groups of countries at different stages of development, and an in-depth assessment of major socio-politico-economic events and their implications for the industrialization prospects of developing countries. It would be necessary to initiate contacts with sister agencies, and with relevant international, national, and private organizations and individuals who might contribute to the study. The Secretariat would draw upon in-house and external expertise in the areas of economics, technology, organization, management and political science. The conceptual framework for the proposed study would be developed further in the light of the impact of recent events. Existing case study material would be identified and assessed and arrangements would be made for the collection and analysis of micro-level data leading to the preparation of new case studies.

12. Second phase (18 months): In-depth field surveys and case studies would begin, focused on the main actors and institutions in the industrial development process, in a sample of industrial subsectors and sectors. The objective of case studies would be to investigate the existing production system in industry and their major economic and other constraints. Consultants having good working relationships with subregional and regional research groups and institutions in collaboration with UNIDO would provide survey teams to collect and carry out processing and preliminary analysis of raw data. Undoubtedly, this field work would be resource intensive but would be essential. During the various phases of the study, particularly when preliminary results begin to emerge, a series of working group meetings would be held with collaborators who would have participated in the study, as well as with collaborators who have contributed to significant UNIDO reports produced since 1985. Participants at the meetings would be of several professional profiles: (a) research collaborators to discuss survey concept design, methodology, and preliminary results; (b) industry specialists drawn from professional journals and major enterprises; and (c) policy makers in their individual capacity drawn from Governments and international agencies.

13. Third phase (six months): Preparation of various subsectoral, sectoral and country reports and of technical case studies; testing of studies would be carried out at working group meetings. During this phase, the major findings and policy options would be discussed with participating research organizations and individuals.

14. Fourth phase (six months): The final report of the study would be prepared and presented to the Industrial Development Board, the Economic and Social Council and the General Assembly. Subsequently, selected portions of the study, for example at the country or subsector level, could

be discussed with corporate executives and government decision makers in production enterprises and countries that would have participated in the preparation of the study. A series of workshops and seminars could be envisaged in that regard. However, those possible research-based technical cooperation activities have not been costed or scheduled in the present report.

IV. COST ESTIMATES AND POSSIBLE SOURCES OF FUNDING

15. An initial cost estimate of this four-phased study extending over thirty months indicates that the project can be carried out using the existing staff resources and databases of the UNIDO Global Report, supplemented by an additional budget of approximately $2.2 million, as indicated in section IV of the annex to the present document. The study would require extrabudgetary funding since budgetary constraints have not permitted its inclusion in the regular budget for 1992-1993. The question of financing would require the consideration of the Industrial Development Board, as well as of the Second and Fifth Committees of the General Assembly. Possible sources of funding are indicated in section IV of the annex.

V. ACTION REQUIRED OF THE BOARD

16. The Industrial Development Board is invited to consider the present report on the proposed study, to provide guidance on future action, including the funding of the study, and to transmit its conclusions to the General Assembly at its forty-seventh session as recommended by the General Assembly in resolution 46/146.

Annex

NOTE CIRCULATED TO THE UNITED NATIONS GENERAL ASSEMBLY*

Industrial retrospect and prospect beyond 2000: trends, choices and opportunities for world industrial development

I. INTRODUCTION

Sixteen years after the optimism of the Lima Declaration and Plan of Action for the industrial development of the third world by the year 2000, the promise of industrialization remains unfulfilled. Many developing countries and areas can be counted among the winners - Republic of Korea, Taiwan Province, Singapore, Hong Kong and more recently several others including Malaysia, Thailand, Chile, Mauritius, Indonesia and Mexico. But for many others the question arises - what went wrong? And within the South itself, given the success of the winners, the gap continues to widen. What can be done? When the international community considers global industrial development, the first questions are where is industry going, how does it influence individual national economies, how do major Governments see their futures and are these futures consistent? Industrialization goes far beyond manufacturing and questions related to its development. Industrial development goes beyond high growth rates, and encompasses balanced development with other economic sectors, especially agriculture, services and infrastructure. Successful industrialization is not accompanied by over-consumption of energy and other production inputs, by environmental degradation, by poorly developed backward and forward linkages within a country and with other countries, by growing unemployment and an increasing urban - rural gap, by discrimination against small-scale versus large scale and traditional versus modern industry or by a worsening income distribution. Industrialization issues are therefore all-encompassing, inter-disciplinary and closely interrelated, and need to be considered within a broad context with due attention to their interactions. At the same time, technology is a dominant force which by the year 2000 may revolutionize present systems of production, employment, distribution, consumption and investment and may lead to the global factory.

An important task for UNIDO should be to tackle these major issues and to present a global vision and a consistent perspective for future development in the field of industry to the international community.

Specifically the aim of this study is to provide a comprehensive and detailed review of the current structure of industry world wide, including its interrelationships with other economic sectors and with social, political, financial, technological and environmental issues, identify trends which may lead to new structures, opportunities, problems and issues for the early 21st Century and suggest ways and means by which governments and the international community may influence and improve upon these futures. The emphasis will be on providing a sound basis for policy choice.

II. MAJOR STRUCTURAL CHANGES TO BE ADDRESSED

1. Possible paths of global industrial restructuring under various assumptions of major political, institutional and social changes over the next quarter century

   - Emergence of a tripolar economic and political world by 1995, 2000 and 2005
   - Political transformation in Eastern Europe and the impact on developing countries of trade and capital flows
   - Changing perceptions of the role of government, privatization and decentralized economic management, including indices of "government success/failure phenomena" and "market success/failure phenomena" illustrated by case studies
   - Growing economic divergence within the South and within the North

2. Sectoral structural changes

   - A comprehensive survey through a quantitative and qualitative assessment of the past two decades of world industry by region and by economic group differentiated by stages of development, and particularly the role of technology in the relative performance of each group
   - The nature and evolution of domestic and external inter-industry linkages between manufacturing and other sectors as world industry moves towards a completely integrated global factory system with complex cross-border subcontracting networks (for example, the increase of services versus production in developed countries)
   - The failure of industry to absorb the growing work force, the need for human resource development, small-scale and rural industries development, the urban bias of industry

3. World resource endowments

   - The emergence of a significantly higher level of development in some countries by the year 2000, and the impact of these developing countries on the environment and the world carrying-capacity of natural resources such as energy and minerals

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* The present annex represents a note circulated to the Second Committee on 11 October 1991, with minor editorial modifications.

- Environmental degradation and the need for ecologically sustainable development

- Worsening prospects of the low-income countries

4. Technological progress

- Rapid technological progress and the emergence of new materials, new information systems, and new industrial organization

- Widening technological gap between developed and developing countries as well as among different groups of developing countries and its impact on international competitiveness

- Compatibility between poverty eradication programmes and programmes of industrial upgrading through higher technology applications

5. Structural changes in international resource flows

- Global savings and the changing structure of international financial flows, globalization of international financial and capital markets and their impact

- Increasing importance of intra-industry trade, of services trade and a shift from trade to direct foreign investment; breakdowns of Uruguay round negotiations

- New institutional framework for technology transfer between developed and developing countries; role of technological cooperation among developing countries

III. PROJECT SCHEDULE (approximate)

- First six months - quantitative and qualitative assessment of industrial performance of different groups of countries classified by stages of development.

- Second six months - Development of conceptual frameworks and quantitative models so as to assess the impacts of major events on the structure of world industry in the years 1995, 2000 and 2005.

- Third twelve months - Data collection, information gathering through field missions, analysis and estimation of findings, discussion with collaborating researchers and research institutes.

- Fourth six months - consolidation, drafting, editing of the report and formulation of policy recommendations.

IV. PROJECT FINANCE

The project will be carried out using existing UNIDO resources, including its databases and existing research staff, supplemented by the following additional resources:

	Thousands of US dollars
Consultants and short-term staff (100 work-months)	900
Collaboration with regional and subregional research groups and institutions	700
Travel costs for field investigation, information collection	300
Meetings and working groups	250
Miscellaneous (computer time, documentation purchases, etc.)	50
Total	$2,200

It is envisaged that sources of funding might be the United Nations regular budget, special programme resources of the United Nations Development Programme, voluntary contributions of Member States, or a combination of sources.

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DEVELOPMENT AND TRANSFER OF TECHNOLOGY

Report by the Director-General

Summary

Reports on progress made in implementing the actions requested by the Board in paragraphs (c)(iii), (iv) and (v) of its decision IDB.8/Dec.10.

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Introduction

1. The Industrial Development Board in its decision IDB.8/Dec.10 requested the Director-General to submit a report to the Board at its ninth session on the progress made in the implementation of paragraphs (c)(iii), (iv) and (v) of that decision. The present progress report has been prepared in response to that request, and covers the period from the eighth session of the Board (July 1991) until February 1992. It should be read in conjunction with the relevant portions on the development and transfer of technology of the 1991 Annual Report (IDB.9/10, chap. III). It also relates directly to the implementation of the programme contained in document IDB.3/26 approved by the General Conference in its resolution GC.2/Res.4.

I. MINIMIZING THE COST TO DEVELOPING COUNTRIES OF DEVELOPMENT AND TRANSFER OF TECHNOLOGY

2. Activities to provide for the development and transfer of technology to developing countries under the best available terms and conditions is a major and continuing feature of the UNIDO programme in that area. In paragraph (c)(iii) of decision IDB.8/Dec.10, the Board requested the Director-General "to take steps to promote and encourage the development and transfer of technology on the basis of the least possible cost for developing countries on industrial sectors and subsectors included in the revised medium-term plan, 1992-1997 (PBC.7/17)". In response to that request, increased emphasis has been placed on elements of the technology programme designed to minimize the cost to developing countries in the development and transfer of technology. As reported in the Annual Report, 1991 (IDB.9/10), chap. III), activities in the programme closely followed the industrial sectors and subsectors included in the revised medium-term plan, 1992-1997 (PBC.7/17).

3. A new aspect of the programme will be the development of regular training courses using the UNIDO manual on technology transfer negotiations, which is being finalized as a primary teaching tool. The training courses are intended to upgrade the awareness and enhance the capabilities of negotiators in developing countries in order to secure the best possible contractual terms and

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conditions, and allow for sufficient absorption and assimilation and eventual upgrading of domestic technological capabilities. A set of UNIDO formats for training programmes in that subject was designed to meet the specific needs of targeted groups. The aim is to have these courses run by suitable institutions in developing countries on a regular and self-sustained basis.

4. Among the aspects of technology training courses organized by UNIDO in 1991 (IDB.9/10, chap. III, para. 27), were elements designed to minimize developing countries' costs in the development and transfer of technology. The Technological Information Exchange System (TIES), continues to be an active network of cooperation among developing countries not only in generating information, but also as a forum for discussion on current emerging issues of direct relevance to developing countries in their quest for obtaining technology at the lowest possible cost. In the African context, TIES activities implemented in connection with the Industrial Development Decade for Africa programme have focused on strengthening technology acquisition and development facilities as well as promoting assimilation and adaptation of imported technologies. For the biennium 1992-1993 the African-TIES programme aims to promote the sharing and utilization of technologies, know-how and expertise available in the region.

5. In the past, technology was transferred mostly through licensing agreements, and developing countries relied on regulatory functions to improve the conditions of technology acquisition. Today, however, the market has undergone a dramatic change with rapid technological advances and the emergence of new technologies. UNIDO programmes are already addressing this complex issue in relation to technology transfer trends, and new practices such as Build-Operate-Transfer (BOT) are being evaluated with a view to preparing guidelines for use by developing countries. A new feature of the UNIDO programme in the 1992-1993 biennium will be assistance offered in regard to practices and trends in the negotiation and export of technologies generated by the developing countries themselves.

6. In order to assist both Governments and enterprises in developing countries to negotiate the best terms for technology transfer, UNIDO operates the Technological Advisory Services Programme (TAS), designed to provide rapid and impartial assistance in solving specific problems that may arise in the transfer process.

7. With the aim of providing negotiators with a tool which would allow them to achieve faster and more effective negotiations, UNIDO is considering the possibility of developing an expert system comprising a draft contract generator and a complementary negotiation support system. A substantial amount of work has already been undertaken in identifying the features and architecture of the system as well as aspects amenable to automation, namely: (a) generation of a draft contract given the requirements and the position of the negotiator; and (b) assistance to negotiators in testing various options available at any stage during the negotiation.

8. UNIDO is continuing its work to strengthen the national technological capabilities of developing countries so that they may handle efficiently the whole process of technology information, management, selection, acquisition and commercialization in such a way that the end result is suitable technology at a reasonable price. Support is being extended to national technology programmes in some countries. Actions in that regard include the promotion of plant-level technical cooperation, the establishment of a technology market in Latin America, the organization of "technology marts" (the first having recently taken place in China) (ibid., chap. III, para. 24), and the promotion of appropriate energy-saving technology (steel and textile industries in Indonesia and Malaysia and an energy conservation centre in the Philippines). Further assistance is provided by making the international technological information system available to developing countries through the Industrial and Technological Information Bank (INTIB) networks in Africa, Asia and Latin America, and TIES (see para. 4 above), as well as providing direct technological information to entrepreneurs and industrialists.

II. TECHNOLOGY TO HELP IMPROVE TERMS OF TRADE IN AND INCREASE SHARE OF MANUFACTURED GOODS FROM DEVELOPING COUNTRIES

9. In paragraph (c)(iv) of decision IDB.8/Dec.10, the Board requested the Director-General "to encourage, in consultation with industrialized countries, the development and transfer of technology in areas which would help to promote better terms of trade in and an increased share of manufactured goods from developing countries".

10. Technology to promote healthy competition in manufacturing and to improve product quality, both through transfer and development, is a major issue for developing countries. As exporters of primary products, developing countries have been faced with a substantial decline in world market prices. The opportunity exists to increase substantially the added value of raw materials by the introduction of modern technology for domestic processing into semi-finished and finished products. Therefore the promotion of improved terms of trade and an increase in the share in world trade of manufactured goods from developing countries is a key objective of UNIDO's overall programme for the development and transfer of technology. Science and new technologies are having an ever-increasing impact on the pattern and direction of industrial development. Without knowledge of and access to new technologies, developing countries will find themselves excluded to an increasing degree from the mainstream of industrial production and international trade. The introduction of new technologies in traditional sectors such as iron and steel and textiles has brought about a complete change in the comparative advantage once enjoyed by the developing countries. UNIDO's programme on new technologies aims at assisting countries in the development and industrial application of these technologies, by strengthening national capacities as well as promoting international cooperation through the establishment of international and regional centres.

11. To bring their industrial production to a level qualitatively and quantitatively acceptable to potential trading partners, developing countries require access to up-to-date industrial and technological information and to modern

industrial technology. The issue of industrial and technological information is being addressed by UNIDO through various activities, among them INTIB, the Industrial Inquiry Service (IIS), technology publications and the computerized technology supply database. Access to modern technology is obtained through UNIDO programmes of technical cooperation, industrial investment promotion, enterprise-to-enterprise cooperation and in the case of new technologies through a number of promotional activities. To facilitate technological upgrading, UNIDO promotes the strengthening of links between research institutes, universities and industry, and assists in the establishment of incubators for technology-based enterprises. UNIDO is active in assisting in the development of institutions and mechanisms for quality control, metrology and standards. Support to technology management is also an increasingly important activity. This includes the issue of financing technological upgrading, for which regional workshops are to be held in the near future.

12. Monitoring new technological developments is the first step towards securing access to technology and determining the countries' technological options. In industrialized countries, technology is monitored by both Governments and industrial concerns to ensure R and D efforts are directed at critical areas of product development and cost reduction. Such activities are doubly important for developing countries with their limited resources and often greater susceptibility to the negative aspects of technology change. During 1991, UNIDO prepared a number of studies on global technology trends in the areas of biotechnology, new materials and computer software. Papers compiled as a volume were published on management of technological change in India. In addition, the Monitors on genetic engineering and biotechnology, micro-electronics, new materials and marine industrial technology, published quarterly, include information on relevant aspects of industry and trade. In the current biennium, studies are planned that will focus on technologies that have potential for manufacturing in the developing countries, such as changing technologies in the field of fine chemicals and precision mechanics.

13. The ability to compete and hence the adoption of advanced manufacturing technologies to cut costs and improve quality is an area of major concern to developing countries. A revolution based on integration is taking place in manufacturing. Companies today need to integrate order-processing departments with those handling purchasing. Design operations need to be integrated with those of manufacturing. And on a larger scale, the manufactured items from the developing world need to be integrated into what is increasingly becoming a global market - otherwise their role in the global economy will be negligible. At the same time, manufacturers of the developing world are faced with the loss of the possible comparative advantage, owing to lower labour costs, as these costs become less of a factor in overall product cost and competitivity. The Industrial Technology Development Division is addressing this area of concern by promoting the establishment of the International Centre for Advancement of Manufacturing Technologies (ICAMT). To promote awareness of the importance of manufacturing technologies and in preparation for the establishment of ICAMT, cooperation is being sought with Governments, companies and educational bodies in the developing and industrialized countries. A study was carried out at the National Institute for Training in Industrial Engineering, at Bombay, India, on the role of educational institutions in training engineers in advanced manufacturing technologies. In Brazil, another project, carried out in conjunction with the Federation of Industrial Enterprises of Sao Paulo, examined the role that industrial associations can play in addressing the needs of the manufacturing sectors. In 1991, a project financed by Japan, was implemented in Hungary and Poland on the identification of opportunities to strengthen manufacturing systems of selected industries through automization of the production process. Another programme activity on this subject included the provision of an expert to Mexico to advise on the establishment of a demonstration centre for electronics manufacture.

14. UNIDO activities in informatics are relevant to developing country exports in two ways. Firstly, it is to increase the efficiency and quality of products in all sectors of industry (including small and medium scale) which utilize computer technology, an aspect which was highlighted in the meeting of the Consultative Group on Informatics Technology held in December 1991. Secondly, several developing countries are in a position to export software. UNIDO activities in the field of telecommunications equipment encourage regional cooperation in order to both increase complementarity as well as trade within the regions. Those activities also recognize the importance of assistance in development of the testing telecommunications products as well as application of common industrial standards. In such activities, particularly in Asia, the need for identification of technological niches specific to particular countries has also been highlighted.

15. In regard to genetic engineering and biotechnology, production and trade with and across countries cannot be promoted without a transparent framework for the release of genetically modified organisms. In order to assist developing countries upon request in developing such guidelines, UNIDO convened two expert group meetings in 1991 and developed the Voluntary Code of Conduct for the Release of Organisms into the Environment (IDB.9/10, chap. III, para. 19). The Code is expected to promote the applications of biotechnology innovations in developing countries and facilitate transfrontier movement of commercially valuable products.

16. Several developing countries have an adequate research base but are not successful in commercializing their research results. In order to promote trade and commercialization of biotechnology innovations, representatives from industry, academia and government were brought together in October 1991 at an expert group meeting on commercialization of biotechnology. As a result of recommendations made at that meeting, work will be initiated on a promotion service for commercialization of biotechnology in developing countries with the help of a task force of experts to offer advice upon request to Governments interested in applying biotechnology commercially to relevant priority sectors. The promotion service will advise on mechanisms and marketing strategies already successfully adopted in developing countries in commercialization of biotechnology products.

17. In December 1991 UNIDO organized a regional expert group meeting in Africa (IDB.9/10, chap. III, para. 19) to consider specific areas in which modern biotechnology research and its results can be applied to important cash food crops in the region. Constraints to the transfer of technology were identified and innovative solutions were suggested which would also have a favourable impact for developing countries on trading those crops. A joint study regarding the impact of biotechnology on the export of agricultural products from developing countries highlighted such recent developments as increasing privatization research, increased industrial concentration and vertical integration and intellectual property protection, all of which have important repercussions for the trade and development prospects of developing countries.

18. A technology extension service is being launched for members of the Organization of East Caribbean States with the aim of assisting enterprises to assimilate and adapt technologies to make them more competitive, locally and on the export markets. The activity is a logical continuation to an ongoing effort to encourage technological modernization through assimilation and adaptation that was initiated in Africa with the Forum on Appropriate Technologies for Africa, Dakar, Senegal, 1989.

III. TECHNOLOGIES ADAPTED, PROMOTED AND DEVELOPED BY UNIDO

19. In compliance with paragraph (c)(v) of Board decision IDB.8/Dec.10, a list is given below of technologies adapted and promoted by UNIDO through technical cooperation projects, as well as of technologies produced by the Organization in favour of developing countries. The list should be considered in conjunction with the technologies listed in documents IDB.4/25/Add.1 (para. 40), IDB.7/17/Add.1 (para. 37) and IDB.8/24 (para. 60). In addition, technologies are promoted by UNIDO through its IIS, the technology supply database and technology marts (see paras. 8 and 11 above). More time and resources are required to classify and analyse the technologies listed, and to establish a system to enable developing countries to obtain detailed information on the status of those technologies.

Chemical industries sector

1. Preparation of user-friendly pesticides and pesticide formulations
2. Desilication of non-wood black liquor
3. Production of petrochemical products from agro-alcohol produced in the sugar industry
4. Production of nitrogen, phosphate and potassium fertilizers (in solid and liquid form, laboratory and bench scale)
5. Production of liquid natural rubber
6. Application and modification of liquid natural rubber
7. Production of composite materials based on natural rubber
8. Development of thermoplastic natural rubber
9. R and D for production of various enzymes for pharmaceutical and alimentary processes
10. Development of protocols for national chemical reference substances
11. Setting up of sensory evaluation panels for local essential oils and aroma chemicals

Metallurgical industries sector

1. Energy-saving and environment-friendly technologies; waste utilization
2. Development of photo-voltaic cells with amorphous silicon
3. Agglomeration of chromite ores
4. Environmental protection in zinc-lead smelting
5. Computerized managed maintenance in metallurgical plants (procuring, customizing and developing software programmes)
6. Industrial waste processing from direct reduction sponge iron plants, utilizing blue dust and other waste materials
7. Production of high strength low alloy (HSLA) steels
8. Production and continuous casting of commercial and special steels
9. New foundry technologies for spare parts manufacture and small foundries, including investment casting and other near-net shape casting methods
10. Heat and surface treatment, including metal corrosion and protection
11. High-tech welding and quality of welds
12. Processing of nepheline and alunite into alumina and other by-products
13. High temperature tube digestion of bauxite to alumina
14. Production of indium from copper containing raw materials
15. Extraction of gallium in alumina plants
16. Production of co- and by-products of alumina
17. Production of special grade alumina for ceramic insulators, automative spark plugs
18. Extraction of titanium from ilmenitic sands and ores
19. Production of titanium products by powder metallurgy methods
20. Beneficiation of gold containing ores
21. Extraction of gold by heap leaching and carbon-in-pipe operations
22. Beneficiation of iron ores (pilot plant operation)

23. Production of sponge iron

24. Recycling of lead from lead acid batteries

25. Advanced techniques for production of tungsten wire

26. Electroslag technology, alloy plasma arc treatment and electron beam technology

27. Technology for copper alloys used in electronics

Programme on clean technologies and industrial risk management

1. Compact used-oil recycling process

2. Linear tabular reactor for reclaiming used oils and decontaminating other hazardous wastes

3. Clean process for coal enhancement

4. Waste treatment for pickling lines and techniques for recycling sludges from pickling and settling ponds

5. Recycling, reuse and storage of fine dusts from electric arc furnaces and steelmaking slag

6. Total system for lime collection, storage, slaking and reuse

7. Waste water treatment from hot rolling mills (focusing on separation of oil)

8. In-plant environment monitoring methodology and instrumentation for air and water

9. Fine dust handling from sinter plants (focusing on improvement of existing direct and indirect suction systems)

10. Heat recovery from sponge iron plants and reheating furnaces

Other technologies

1. Biomass gasification

2. Energy conservation in the steel and textile industries

3. Commercial utilization of spirulina geitleri J. Di Toni (algae)

4. Detoxification of castor bean oil

5. Solar timber drying kilns

6. Poly-functional pilot-scale plant for plant extraction

7. Integrated cassava processing

8. Wooden bridges

9. Maize milling using hammer mills

10. Ferro-cement bins (cylindrical)

11. Multi-purpose agricultural machine production

12. Agriculture hand tools manufacture

13. Coconut cream production

14. Desiccated coconut

15. Canning of sardines

16. Oil extraction from copra using a small package expeller mill

17. Freezing of prawns

18. Guava processing

19. Dehydration of chillies

20. Small-scale bakers' yeast production

IV. ACTION REQUIRED OF THE BOARD

20. The Board may wish to take note of the present document.

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INDUSTRIAL INVESTMENT PROMOTION

Report by the Director-General

Summary

Reports on the implementation of actions called for by the Board in decision IDB.8/Dec.13, in particular, a request to the Director-General to present his response and follow-up to the evaluation report on industrial promotion (reiterated in resolution GC.4/Res.17, para. 3 (g)); and to intensify his efforts towards full compliance with Board decision IDB.6/Dec.15, paragraph (e) by submitting the study referred to in Conference resolution GC.3/Res.19 (and subsequently reiterated in resolution GC.4/Res.17, para. 3(i)) on the possibilities and different modalities for fostering regional investment promotion activities.

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Introduction

1. In compliance with the Industrial Development Board decision IDB.8/Dec.13, the present document describes the measures undertaken to respond to the evaluation report of the industrial investment activities of UNIDO, as indicated in paragraph (j), addressing ways and means of:

(a) Focusing on the quality of output of the Industrial Investment Division;

(b) Improving the internal coordination of UNIDO;

(c) Improving the external coordination and mutual cooperation with other agencies, both inside and outside the United Nations system, such as the international, regional, bilateral and local financial institutions, thus establishing the complementary role of UNIDO in the field of investment promotion.

2. In paragraph (k) of the same decision the Board also requested the Director-General to develop:

(a) Clear terms of reference and minimum standards for the selection and assessment of investment projects to be promoted through the Industrial Investment Division;

(b) Minimum standards for the selection of sponsors of investment projects;

(c) Clear terms of reference for consultants when selecting projects;

(d) A clear programme of activities of the Industrial Investment Division, addressing among others assistance to developing countries in the upgrading of their capabilities in the formulation, selection, and assessment of investment projects in order to meet the minimum standards required for successful project

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promotion, the role of investment forums, the focus on small and medium-sized projects and their follow-up.

3. Also in response to decision IDB.8/Dec.13 the Director-General was requested in paragraph (h) to intensify his efforts towards full compliance with paragraph (e) of decision IDB.6/Dec.15 by submitting, as soon as possible, the study referred to in resolution GC.3/Res.19 on the possibilities and different modalities for fostering regional investment promotion activities. Actions relating to decision IDB.8/Dec.13 were to be reported to the Board at its ninth session, in accordance with paragraph (l) of that decision, and reiterated in resolution GC.4/Res.17.

I. REGIONAL INVESTMENT PROMOTION

4. Regarding the proposed study on regional investment promotion activities, reference was made in document IDB.8/18, paragraph 11 to the fact that preparation was limited to research on the African region only, owing to staff and financial resource constraints. Since no additional staff or financial resources have been allocated for the study, no further progress has so far been achieved in its preparation. Paragraph 11 also states that until sufficient resources become available to UNIDO for preparing the study UNIDO will:

(a) Systematically expand the activities initiated during the 1990-1991 biennium to ensure that UNIDO is fully informed of developments in regional investment promotion in all developing regions and will endeavour to ensure that experience gained is disseminated to other developing regions;

(b) Endeavour to mobilize existing resources for undertaking the studies described in document IDB.6/9 (para. 4);

(c) Accord priority, in its ongoing and future activities, to the design of technical cooperation programmes to foster regional investment promotion, including trilateral cooperation, and to mobilize financial resources for the implementation of such programmes.

Therefore the present document will report on industrial investment activities with regard to items (a) to (c) and specify the financial resources required to complete those studies.

Africa

5. The fostering of regional industrial investment promotion was undertaken at the subregional level, in keeping with the activities described in paragraph 11 (a) of document IDB.8/18. 1/ Preparatory activities were initiated for another subregional industrial programme, the Economic Community of West African States (ECOWAS). It will include an investment forum at Dakar, Senegal, in December 1992, and will be implemented with the support of the Centre for Development of Industry (CDI). At the request of the Federation des Chambres de Commerce et de l'Industrie de l'Ocean Indien (encompassing Comoros, Madagascar, Mauritius, Reunion and Seychelles) and with the agreement of the Malagasy Government, the Madagascar investment programme tentatively scheduled in November 1992 will be enlarged to include potential foreign partners from the other countries of the Indian Ocean. This enlarged programme will benefit from the financial and technical support of the Agency for Cultural and Technical Cooperation (Agence de cooperation culturelle et technique) (ACCT). Subject to availability of funds, regional investment will also be fostered through ad hoc programmes for members of the Organization of African Unity (OAU) and the Southern African Development Coordination Conference (SADCC) countries.

6. With regard to the study on the possibilities and different modalities for fostering regional investment promotion activities (para. 3 above), studies have been made and an expert group meeting organized, as already reported in IDB.8/18.

7. In the light of the conclusions and recommendations of those studies as well as of the expert group meeting, future activities will concentrate on the identification of constraints and approaches to overcome them. In the same framework, appropriate policies will be defined to support industrial infrastructure and services and strengthen local capabilities and capacities, thus creating an economic environment conducive to a healthy subregional investment climate as a tool for an economic integration of the region. To achieve that aim, it is proposed to make a comparative analysis of existing policies, strategies and programmes related to regional and subregional investment promotion. The study will also assess the achievements made hitherto and propose ways and means to strengthen the complementarity of national and regional/subregional programmes. It will be undertaken in close cooperation with African regional and subregional organizations and banks such as the African Development Bank, the Central African Customs and Economic Union (Union douaniere des etats de l'Afrique Central) (UDEAC), the Economic Community for Central African States (ECCAS), ECOWAS, OAU, the Preferential Trade Area for Eastern and Southern African States (PTA), and subregional financing institutions. It should be noted that the preparation of such a study would cost $60,000 for the services of an international consultant.

Asia and the Pacific

8. Regional investment proposals continued to be fostered in 1991, on an ad hoc basis in the four integrated investment programmes in the region, and described more fully in the 1991 Annual Report. 2/

9. Undertaking the proposed study on regional investment promotion (para. 3 above), initially at each regional level, in Asia and the Pacific, is expected to require the assistance of an international expert at a cost of $30,000 to analyse regional investment promotion activities undertaken by regional or international institutions/organizations (including UNIDO programmes implemented in 1990-1991 in Fiji, Sri Lanka and Viet Nam and an ongoing programme in Nepal) and to analyse the impact of those activities on regional economic cooperation, integration and development. Other duties of the expert would be: to analyse achievements and the

impact of ongoing activities undertaken by all relevant institutions; to provide detailed information on actual regional flows of investment resources; to propose specific activities to foster the promotion of regional investment cooperation in the region; and to propose the role which UNIDO could play in regional investment promotion.

10. The outcome of this study and report could provide an input for formulating a new technical cooperation integrated programme for the promotion of regional investment, including promotion of investment projects and technology transfer from Japan, the newly industrializing countries and the Association of South-East Asian Nations (ASEAN) to other countries of the region, such as Cambodia, the Lao People's Democratic Republic, Myanmar, Papua New Guinea and Viet Nam. Some ASEAN countries have indicated an interest in such a programme and Thailand might offer to host a regional investment forum within this programme. However, financing of such an integrated programme has to be explored with the ASEAN countries and other Governments, the United Nations Development Programme (UNDP), the Asian Development Bank and ESCAP.

Latin America and the Caribbean

11. A regional investment programme for the Andean Group countries was formulated and designed in 1988 and was approved and initiated in 1989. The major activities of the programme during 1991 included: (a) the identification, formulation and promotion of 150 investment projects; (b) the participation of some 300 nationals (entrepreneurs and government officials) at workshops on topics related to foreign investment resource mobilization such as investment project screening and appraisal using the UNIDO-developed computer software PROPSPIN (Project Profile Screening and Pre-appraisal Information System) and COMFAR (Computer Model for Feasibility Analysis and Reporting), investment promotion information systems such as the Investment Promotion Resources Information System (INPRIS) and the Database for Investment Promotion Programme (DIPP), as well as the placing of two delegates at the Paris Investment Promotion Service Office (IPS) and one delegate at the Cologne IPS Office; and (c) the organization of three investment project promotion events. 3/

12. In 1989, a concept was developed with the Association of Latin American Development Financing Institutions (ALIDE), for a pilot joint programme based on two main features:

(a) The use of the integration treaty signed by Argentina, Brazil and Uruguay. This treaty constitutes a very important market for the promotion of the projects identified in those countries;

(b) The projects would originate from the national development financing institutions, which would be willing to provide the appropriate guarantees for the projects concerned regarding local investment. For the projects identified, foreign investment would be sought.

13. Owing to the scarcity of resources available to ALIDE and UNIDO for the financing of consultants, the pilot phase was initiated only at the end of 1991, and currently the results of the projects identification are being assessed.

14. A major difficulty in preparing the proposed study on regional investment promotion in the Latin American and Caribbean region is that there are numerous organizations with experience in this field that are involved in, or about to embark on, similar investment-related activities. Therefore, a concerted UNIDO strategy for entering into this field has to be developed and followed. Some work has already been done in this respect, so future action should be geared towards: covering subregions other than those referred to in paragraph 12 above; assessing the impact of the activities already initiated by UNIDO in the area; and linking subregional programmes, for instance between countries of the Andean Group and those of Central America.

15. Moreover, a few replies were received to a request to major regional institutions for information on their completed or foreseen investment-related activities. The replies will require analysis and follow-up action at the correspondence level.

16. Taking into account that a great part of Latin America and the Caribbean has been covered, either through ongoing or already designed programmes, resources would be required for two consultants, at a cost of $15,000 each, one to design a programme for the Caribbean countries and the other (locally recruited) to analyse the documents received, the results of the ongoing programmes, the findings of the Caribbean survey and the preparation of specific proposals. The organization of an expert group meeting for Latin America and the Caribbean, at a cost of $30,000, aimed at identifying the sectors and subsectors of industry where cooperation could be established.

Arab countries, Europe and Mediterranean countries

17. With regard to the Arab countries, a programme that has been formulated to promote business and investment cooperation between the countries of the Arab Maghreb Union (AMU) and countries of western and northern Europe will, in 1992-1993, endeavour to exploit the trend towards economic integration within those countries and the opportunities for regional investment projects that present themselves as a result. A joint programme with the Economic and Social Commission for Western Asia (ESCWA) was implemented in 1990 to promote cooperation between Arab countries in the field of electronics. The proposed study should therefore focus on the existing opportunities for accessing markets in the Maghreb region and on the prospects for further integration as the activities of AMU gain momentum.

18. In the Gulf countries, a programme to promote regional investment projects is under implementation. 4/ The portion of the study dealing with the Gulf area will consider the opportunities for regional investment promotion offered by the Gulf Cooperation Council (GCC), and the extent to which economic integration in the whole Gulf area will favour regional investment projects. A recent mission to the United Arab Emirates indicates that opportunities exist in the Gulf for carrying out regional technical cooperation activities in such areas as

identification and screening of investment projects, as the countries of the region increase their efforts to diversify their industries away from the petrochemicals sector.

19. In Europe, experience with regional investment promotion activities has focused on fostering business cooperation between enterprises in a given potential investor country and countries of central and eastern Europe. 3/

20. In the proposed study (para. 3 above), attention should be focused on the opportunities that exist for promotion of investment projects likely to benefit from the additional sales potential that could result from accessing regional markets. With regard to Europe, particular attention should be given in the study to the prospects of re-establishing the commercial links that existed between the former Union of Soviet Socialist Republics and its fellow members of the former Council for Mutual Economic Assistance (CMEA). There appear to be opportunities for carrying out regional technical cooperation activities in central and eastern Europe in such areas as financial analysis and screening of investment projects, since the need to acquire new skills that are adapted to the requirements of a market economy are similar in all the countries of the region.

21. In the Mediterranean area, the study should focus on the Black Sea Cooperation Project initiated by Turkey with the participation of Bulgaria, Romania and Ukraine, for which an agreement was recently signed by the Heads of State of the participating countries. This project opens interesting prospects of economic cooperation and integration, and consequently for regional investment promotion.

22. Owing to the diversity of the Arab, European and Mediterranean countries, a number of distinct studies will be required. A total of $68,000 is estimated to be required in order to recruit qualified experts to assist in the preparation of the study, as follows:

- For central and eastern Europe: $15,000;
- For the Maghreb countries, the Gulf region and the Arab countries as a whole: $30,000;
- For the Black Sea region: $23,000.

II. RESPONSE AND FOLLOW-UP TO THE EVALUATION REPORT

23. In an effort to promote industrial investment UNIDO directly assists the enterprise sector, mainly small and medium private sector industrialists, in developing countries to mobilize those foreign investment resources required for the implementation of their new investment projects, or those requiring expansion, modernization or rehabilitation. 5/

24. Investment resource mobilization for specific investment projects is achieved by assisting developing country entrepreneurs in the identification, formulation, screening and promotion of specific, and potentially viable, investment projects which require foreign investment resources for their implementation.

25. UNIDO also indirectly assists the enterprise sector by strengthening existing, and establishing new, national institutional capabilities charged with the task of inward mobilization of investment resources and the improvement of the investment climate to create an enabling environment for local and foreign private investors.

26. The Industrial Investment Division (IID) usually seeks to provide the assistance described above through the implementation of comprehensive and integrated industrial investment technical cooperation programmes which are especially designed for each developing country on the basis of a prior analysis of its industrial policies and programmes, its investment opportunities, its investment climate and how it is perceived by potential foreign partners, its projects identification and promotion institutional and human skills infrastructure, and its need for inward investment resources mobilization. Such a programme may include, in addition to specific investment project identification, formulation and promotion, assistance in investment climate improvement, and strengthening/establishment of local institutions and national capabilities in industrial investment project identification, formulation, screening, and promotion. The success of these programmes is directly linked to the number of investment projects whose promotion is successfully concluded as well as to the extent to which national individual and institutional capabilities are strengthened or newly created. In view of the critical importance of strengthening national individual and institutional capabilities, IID always seeks to ensure that this aspect is incorporated in all the technical cooperation programmes it designs upon the request of developing countries. The implementation of these programmes may be financed from a variety of sources such as UNDP, bilateral and other multilateral financing institutions and donors, and trust funds provided to UNIDO by the developing countries' Governments, by institutions, such as development banks, or by industrial firms.

27. Paragraph 3 (a) of GC.4/Res.17: UNIDO has continued to promote actively the flow of investment resources to developing countries. The current international environment is becoming highly competitive as a result of the increasing number of developing countries which are liberalizing their economies, or have already done so, in order to attract more investment resources. Furthermore, the industrialized countries are competing to attract such resources to their own countries. Within this international environment the total value of the developing countries' investment projects whose promotion was concluded through UNIDO increased from $556 million in 1989 to $890 million in 1991. These figures represent the total investment of all the projects which were identified, screened, formulated and promoted, and in which the foreign partner or the national investor has informed UNIDO that it has concluded a written agreement to cooperate in completing the project's preparation or its implementation.

28. Paragraph 3 (b): A regional structure was introduced in IID informally in 1987, and was formalized in the programme and budgets for the 1990-1991 biennium. At the same time, IID was assigned full responsibility for implementing and/or coordinating investment project related

activities. The four regional units of IID cover: Africa, Asia and the Pacific, Latin America and the Caribbean, and the Arab, European and Mediterranean countries.

29. This specialization has enabled each of the regional units to work closely with the Organization's corresponding Area Branch and so lead to enhanced coordination within UNIDO. The regional structure has also led the IPS offices to assign an IPS staff member to activities in each region which has resulted in further strengthening and facilitating coordination between IID staff at Headquarters and those at IPS offices. A regular four-monthly mutual reporting system between Headquarters and the IPS offices was recently initiated. This coordination has enabled the programme to finance delegates at IPS offices from technical cooperation activities implemented by the IID regional units, and to coordinate travel by Headquarters and IPS staff to developing countries. As a result, the implementation of IID's technical cooperation activities in developing countries has increased by over 150 per cent during the three-year period 1988 to 1991. Another important coordination instrument is the annual meeting held with the staff of IID at Headquarters and those of the IPS offices. As of 1992, these meetings are held twice a year (instead of annually), with one meeting held at UNIDO Headquarters and the second organized by an IPS office. The meetings provide a forum for frank and extensive discussions on current and future activities.

30. Paragraph 3 (c) of GC.4/Res.17 and paragraph (g) of IDB.8/Dec.13: Although the Industrial Cooperation Centres (ICCs) are backstopped by another UNIDO Division, IID seeks to achieve maximum possible coordination and cooperation between them and the IPS offices through: direct contacts between ICCs and the IPS offices; keeping ICCs informed of all investment activities undertaken by IID at Headquarters; participation, whenever possible, of ICCs in such activities with financial support from IID, for example the participation of the Head of ICC, Beijing, in the Sri Lanka investment forum; and inviting the Heads of ICCs to participate in the annual meetings of the UNIDO Industrial Investment Programme.

31. Paragraph 3 (d) of GC.4/Res.17 and paragraph (j)(i) of IDB.8/Dec.13: The activities and priorities of IID are described in the programme and budgets for the current and previous bienniums which are approved by the General Conference. Furthermore, IID activities are undertaken in response to requests from the Governments of the developing countries concerned. The quality of the outputs of any activity is directly linked to the staff and other resources allocated to it; every effort is made to ensure that the highest possible efficiency, effectiveness and impact are achieved through the implementation of IID activities. The extent to which IID has succeeded in achieving a higher level of quality is clearly evidenced by: (a) the observed increase in the number of requests received from member countries for investment activities; (b) the increase in the value of technical cooperation delivered to developing countries, at their request, during the past few years; and (c) the increase in the contributions received from industrialized countries for the financing of technical cooperation programmes in developing countries, for augmenting the staff and financial resources allocated to IID, as well as for the expansion of existing IPS offices and the establishment of new ones.

32. Paragraph 3 (e) of GC.4/Res.17: A number of internal actions have been taken aimed at enhancing the internal capabilities of UNIDO through increased efficiency within existing programmes of IID as well as those of other UNIDO divisions.

33. Paragraph 3 (f) of GC.4/Res.17 and paragraph (f) of IDB.8/Dec.13: Donor countries where IPS offices are already in operation are reminded frequently to promote the increasing participation of developing countries in the IPS orientation/delegates programmes for developing countries. However, so far no appreciable increase of financial contributions for that purpose has materialized.

34. Paragraph 3 (g) of GC.4/Res.17 and other sections of paragraphs (j) and (k) of IDB.8/Dec.13: In addition to the above, the following is the response of the Director-General to the evaluation report:

(a) The Industrial Investment Division continues to cooperate and coordinate with a number of agencies, both inside and outside the United Nations system such as EC/CDI, the World Bank, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), the United Nations Conference on Trade and Development, the International Trade Centre UNCTAD/GATT, the Inter-American Development Bank, the Inter-American Investment Corporation, the project development facilities operated by the IFC in Africa, Latin America and the Caribbean and the South Pacific, and financed by UNDP and several major donor countries, the regional development banks, European Bank for Reconstruction and Development, and the regional economic commissions.

(b) With regard to further development of minimum standards for the selection and assessment of investment projects and of national investors (sponsors), a document was recently completed and printed entitled, "Guidelines for preparing the Industrial Investment Project Profile" (IPCT.137(SPEC.) 15 April 1991). The document was finalized in consultation with the staff of IPS offices and provides detailed guidelines to ensure that investment projects and national investors suitable for promotion are selected by the staff members, consultants or entrepreneurs preparing the investment project profile, one of the main methods by which IID and the IPS offices promote investment projects. This project profile document is extensively used in developing countries and is available in English and French; a Spanish translation is under preparation.

(c) Investment forums constitute only one phase, usually the last phase, of the integrated technical cooperation programmes which IID recommends to developing countries. Forums are only held after considerable preparatory activities have been successfully completed, and only at the request, and often insistence, of the developing country concerned. Similarly, terms of reference for consultants are prepared in consultation with the counterpart government agencies concerned, and no consultant can travel

to a developing country to undertake an assignment without the prior approval of both the consultant and his terms of reference by the government authorities concerned.

(d) Almost all the investment projects identified for IID activities are small and medium projects; the average total investment per project, during the past five years, varied between $2.5 million and $5.4 million.

(e) The evaluation report recommended, inter alia, that "UNIDO's investment promotion resources and activities be concentrated under one organizational unit"; that "the Feasibility Studies Branch be integrated into IID"; and that "institution building projects dealing with the establishment or strengthening of investment promotion agencies (focal points) and all IPSs and ICCs should come under the same organizational unit".

(f) Also recommended were further development and harmonization of the information databases used by IID at Headquarters (INPRIS) and by IPS offices in support of the investment activities. During 1991 IID started working on the adaptation of a mainframe-based information system to a personal computer-based system, DIPP, developed at the IPS office at Milan. The consultant who developed DIPP was subsequently engaged to adapt the system so that it is available for wider use and to ensure that it facilitates the exchange of information between organizational units as recommended by the evaluation report. Furthermore, all of some 1,800 firms included in the potential foreign partners INPRIS file were sent questionnaires in order to update the file. The use of electronic mail to improve communication and networking is awaiting the outcome of the review undertaken by the Applications Development Section of UNIDO aimed at making electronic mail more user-friendly.

(g) With regard to the harmonization of the two computer software programmes in use by UNIDO - for investment projects screening and preparation of feasibility studies - PROPSPIN and COMFAR, it was agreed that in future both software programmes will use the same terminology so that the two can be used interchangeably.

The integrated approach

35. The integrated approach of IID to technical cooperation activities aimed at mobilizing foreign investment resources for developing countries are best illustrated by briefly describing the IID programmes in Viet Nam and Zambia. The Viet Nam programme was funded by UNDP, supported by in-kind inputs of various IPS offices and executed by IID. The primary objective of the programme was to assist the State Committee for Cooperation and Investment (SCCI) in the identification, formulation and promotion of investment projects and the holding of an investment forum. The programme envisaged utilizing inputs from regional and international organizations such as the Economic and Social Commission for Asia and the Pacific (ESCAP) and the World Tourism Organization (WTO).

36. At the outset UNIDO provided assistance in improving the investment climate in Viet Nam by strengthening the investment infrastructure in the country, namely SCCI, and by reviewing the investment code for Viet Nam. Workshops and seminars for government officials and local entrepreneurs were conducted on topics such as non-traditional financing techniques; export to the European Community market; financial analysis; preparation of feasibility, and especially market studies; negotiations and contracting techniques; and investment project terminology.

37. Promotional documentation prepared on Viet Nam included: an investors' guide to Viet Nam, and an industrial development review series on Viet Nam, giving information: on the Vietnamese economy, the macroeconomic and industrial policy, the manufacturing sector, industrial branch profiles, investment environment, statistical annexes, and a short video film.

38. Subjects of seminars and presentations organized by companies, banks, and other institutions included:

- A strategic approach to foreign direct investment in Viet Nam (ESCAP);
- A master plan for tourist development in Viet Nam (WTO);
- Legal advice and open forum;
- Meetings between foreign and Vietnamese investors;
- Operation of foreign banks in Viet Nam;
- An Economic Fair at Ho Chi Minh City, May 1991;
- Practical experience in investment in Viet Nam.

39. In a later phase of the technical cooperation programme, a UNIDO team of 15 national and international experts identified, formulated and screened 187 specific investment projects in 16 industrial priority subsectors with a total investment value of $6.8 billion, according to clearly defined terms of reference. These investment projects were subsequently promoted through the UNIDO network of IPS offices, the ICCs in Moscow and Beijing and other focal points in countries not covered by IPS offices. The programme was concluded by holding the Viet Nam Investment Forum in March 1991. 6/

40. As of 1 October 1991 the results of the UNIDO programme with regard to investment projects are as follows: 86 letters of intent were signed; 10 investment licenses were issued, with an investment value of $176 million; 17 projects, with a total investment value of $50 million, are under negotiation; and SCCI, assisted by UNDP and UNIDO, gained valuable experience in conducting investment projects identification and international promotion activities. Several hundred Vietnamese entrepreneurs, government officials and staff members of various organizations and institutions have been trained to complete the UNIDO questionnaire on project profiles, and five Vietnamese delegates were posted at the IPS offices at Cologne, Milan, Paris, Seoul and Tokyo.

41. Based on the successful outcome of this programme, a follow-up programme, financed by UNDP, has been approved aimed at providing

assistance to SCCI and to national investors in pursuing and finalizing negotiations regarding investment projects for which letters of intent have been signed, and in continuing the promotion of other investment projects. This will include assistance in preparing market and other pre-investment studies as well as financing the preparation of 18 complete feasibility studies.

42. The Zambia programme consisted of two technical cooperation projects, one, providing assistance to the Zambian Chamber of Commerce and the second, the organization of an investment promotion tour. Both were financed from IPF and supported by complementary activities funded from other sources of financing such as the Industrial Development Decade for Africa (IDDA) programme and the regular budget. The two projects have been operational since 1988. Related activities include giving advice to the target group, improving the enabling environment, strengthening the existing institutional infrastructure and providing direct assistance to private investors and entrepreneurs.

43. As part of the Zambia programme, the Government requested assistance in revising the 1986 Investment Promotion Act, which, following its adoption by the Zambian Parliament, was finalized as the "Investment Promotion Act, 1991". At the time when the Zambian Government approached UNIDO for assistance the only national institution providing investment-related services to national investors was the Zambian Association of Chambers of Commerce and Industry (ZACCI). In the absence of a national investment promotion institution, it appeared necessary to strengthen ZACCI, and a 3-year strategic plan was prepared for that purpose. Related activities were carried out by international as well as national experts and consultants, in close collaboration with UNIDO.

44. Since 1988, three tours with ZACCI participation were organized by UNIDO to publicize Zambia abroad and to promote various national projects. The first tour visited France, Germany and Italy, while the second took place in Japan, and the third in North America and the Caribbean. For the purpose of these country tours UNIDO identified and formulated 35 industrial investment projects which IID and the IPS offices promoted. By the end of 1989, five of these projects had entered the production phase, two were under construction and six others were under serious negotiation. ZACCI is now considered to be an important link between the Government and private entrepreneurs. By virtue of its mandate, however, ZACCI is basically trade-oriented, and with privatization presently a major issue, demand is likely to grow for the setting up of investment promotion services, and as a result of previous experience in that area, UNIDO was requested by the Government of Zambia to assist in the establishment of such an institution.

IPS Manual

45. A further request was made by the General Conference in resolution GC.4/Res.17 to present to the Board the IPS operating manual referred to in paragraph 6 of document GC.4/34. The manual is being finalized and will be made available to the Board at its next session.

III. ACTION REQUIRED OF THE BOARD

46. The Board may wish (a) to take note of the present report and (b) to provide guidance as to the financial resources required to enable the regional investment promotion studies to be undertaken.

Notes

1/ See also IDB.9/10, chap. III, para. 38.

2/ Ibid., paras. 39-40.

3/ Ibid., para. 42.

4/ Ibid., para. 41.

5/ Ibid., para. 36.

6/ Ibid., para. 40.